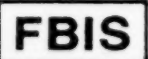


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Near East/South Asia Report



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29 November 1985

NEAR EAST/SOUTH ASIA REPORT

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REGIONAL AFFAIRS

OPPORTUNITIES FOR ARAB INVESTMENT IN CHINA ANALYZED

Beirut AL-IQTISAD WA AL-A'MAL in Arabic Sep 85 pp 30-40

[Article: "AL-IQTISAD WA AL-A'MAL Opens File on Arab Chinese Ties; Now, Let Us Try Our Luck in China"]

[Text] Modern China is awakening from a deep slumber.

The continent-like country of 11 million square km and with more than 1 billion people is suddenly swinging with movement and vitality and preparing to take its natural position on the world map. The gates of China's wall have been opened recently: 14 gates so far representing 14 major cities which are permitted to receive foreign investment, to conclude contracts with investors freely and to offer incentives without referring to the central authority.

In the wake of the cultural revolution's theoretical debate and its costly turmoil, the desire to work, learn and advance has suddenly awakened in China. The Chinese have discovered the joy of success and accomplishment and of enjoying the fruit of work on the land, in the factory or in the shop. They are people like others and they are moved by greed and ambition. Winds of optimism are blowing on the streets and the farms, on the market, in the factory and in the university. Colorful clothes have driven away the khaki uniform into which millions of Chinese men, women, children, young and old were shoved for years. Diversity in the real sense has suddenly emerged, individualism and individuality have surfaced and an enormous energy has broken away from its shackles.

This Chinese ebullience is now evoking a mixture of feelings of optimism and fear: optimism that the opening of a market comprising one-fourth of mankind and needing almost everything will contribute to pulling the world economy out of stagnation, and fear that China's march toward the modern age and its vast investment in technology, communications and sciences will lead to the birth of an economic giant which itself needs to export and inundate other markets. But despite all this, firms and businessmen seeking the chances of survival in the short run are not much concerned with speculating about the future and they are rushing to Peking and the other economic zones, to open offices, even in hotel rooms, and to pay rents amounting to nearly twice New York's rents in a race to reserve a seat or several seats on the "China express train" and to insure an early penetration of the continent's vast market.

Despite the optimism prevalent among Western business circles, it might be premature to make a final judgment on the extent of the death of the Chinese change and on its chances of survival. But what distinguishes the businessman is that he is a forerunner and that he relies on his own instincts and not on the interpretations and expectations of analysts and the information media. The businessman acts like Saint Thomas and wants to touch with his own hand, tour, talk and negotiate. It is certain that not all those who visit China or open offices in it will win a project from it or will make a profit commensurate with their expectations. As for the Arab businessman and investor, whose fingers have been burned in more than one market and on more than one occasion, it is perhaps better to proceed deliberately and cautiously, even though he is also required not to hold back and waste the opportunity.

The important question here is: what do the Arabs expect of China? What are the given facts and advantages available to them in dealing with China and what investment opportunities and spheres can they go for?

In this--initial--file, AL-IQTISAD WA AL-A'MAL sheds light on the latest developments of Arab interest in China, on the likely opportunities, on the possibilities of success and risks of failure and on the sound rules to tackle the question of investment in China from the beginning. The file also reviews briefly the most important economic reforms introduced by the Chinese leadership, headed by Deng Xiaoping--reforms which suddenly stirred the world's interest in China and in its market. The file further deals with some issues that encounter any firm wishing to open an office in Beijing, the capital, or in any of China's other major cities.

Now that the dimensions and significance of the current economic reforms in China have become clear and that confidence in the possibility of their continuation and entrenchment has grown stronger and firmer, Arab financial and business circles have begun to display an increasing interest in this market with its enormous potential and to seek to explore the kind of opportunities this market offers Arab investment. In the past 2 years in particular, this interest has been embodied in the visits made by contractors, bankers, businessmen and investors either to Hong Kong or to the Chinese cities themselves. These contacts have now moved from the phase of exploration and study to the phase of preparing projects and negotiating with the Chinese authorities on them. Some of the contacts have also resulted in establishing representative offices in Hong Kong as a preparatory step for staying in contact with the Chinese mainland and for using the British colony as an observation and follow-up station.

Arab Movements

Some Arab establishments entered China early, as did (Francebank) when it opened a representative office in Hong Kong and was thus the first Lebanese bank to establish a presence in the Far East. Brothers 'Adnan and 'Adil al-Qassar opened a branch of their firm in Hong Kong more than 10 years ago.

Some of these establishments have succeeded in entering even Peking itself, as did the Arab Bank which opened a representative office in Beijing recently.

Meanwhile, the Arab banking establishment has secured an important inlet to China through its recent acquisition of a Hong Kong bank possessing fundamentally broad experience with China and having working relations with it. The Arinfi Investment Company is also considered a highly qualified firm to take up the opportunity of the Chinese open-door policy and to devote attention to mutual cooperation between Arab financial circles and Chinese officials. Through Arinfi Pacific, Arinfi's subsidiary in Hong Kong, and through the financial brokerage firm Arinfi owns jointly with an active Chinese financier in Hong Kong, Arinfi enjoys an old relationship with China and with the Far East in general. Through its subsidiary, Arinfi plans to expand its services in the sphere of oil exploration and of serving the oil industry generally to a number of the area's countries, including China. Added to the increasing Arab interest is the relationship which the Engineering House has been able to establish with China through the founding of a joint engineering firm with the authorities of Shenzhen Special Economic Zone Province, one of the provinces espousing the policy of the open door to foreign investment. There are also the repeated visits made by al-Zakhim Contracting Group to China, visits which have resulted in the start of a working relationship with the country. There is also the progress achieved by a group of Arab investors, led by Ramzi Sanbar, in negotiating for a number of joint projects, including hotel, glass and steel industry projects and other projects. It is believed that the Arab contacts also cover a big and growing activity in the sphere of commerce and commercial agencies. China has seen the arrival of a considerable number of Gulf businessmen, most of whom have come to explore the commercial opportunities and some of whom have gone on to visit the Chinese cities and to study conditions on the spot. What makes such visits easier, even for the Saudi businessmen, is that the Chinese authorities in Hong Kong issue the entry visas separately and do not attach them on the visitors' passports. Thus, a Saudi or Qatari citizen can continue his contacts with China without being embarrassed by or in conflict with his country's current position toward China.

Seek Money, Even in China

Some Arab establishments, such as 'Adnan and 'Adil al-Qassar's establishment, are tied to China by very old relations that date back to the early 1950's when Lebanon was the natural inlet to the area's market. 'Adnan al-Qassar, the present chairman of the Beirut Chamber of Commerce and Industry, played a very important role in introducing China to the area when dealing with China was tantamount to dealing with the "devil," especially in the wake of the Korean war and of the U.S. efforts to isolate China. It was evident then that the ambition, the service-oriented mentality and the commercial middlemanship of the Lebanese did not pay much attention to the political restrictions and prohibitions. Even ex-President Camille Sham'un, who was president of the republic in 1954, did not hesitate to accept al-Qassar's mediation to invite a Chinese commercial delegation to Lebanon despite Taiwan's protest at the time and despite Sham'un's well-known friendship with Taiwan and the Americans. Now,

al-Qassar Establishment is considered one of the establishments with the strongest relations with the Chinese authorities who acknowledge for this establishment its early efforts to develop trade relations between China and the Arab world. This establishment still handles a large part of Lebanon's trade with China and part of China's trade with some Arab countries.

London Meeting

An important development in enhancing the Arab interest in China was the initiative taken recently by a number of Arab financiers who met in London on 27 June 1985 at the invitation of Dr. Kamal al-Sha'ir, chairman of the Engineering House Company, and who concluded their meeting with an initial decision to form an Arab investment holding company whose objective is to study investment opportunities in China and to negotiate as a group with the Chinese authorities on setting up joint projects. The London meeting resulted in a constituent assembly for the company under the chairmanship of 'Abd-al-'Aziz al-Saqr, chairman of the Kuwait Chamber of Commerce and Industry, and with a number of Arab businessmen as members, Dr Kamal al-Sha'ir, 'Abd-al-Muhsin al-Qattan, 'Adnan al-Qassar, Munib al-Misri and others.

The above examples of the Arab interest in China are, of course, only one aspect of the ongoing activity. There certainly are numerous other ongoing initiatives but those taking them may prefer to wait until they produce before they reveal them. However, the common denominator in all these initiatives is that most of them are still of an exploratory nature. What is evident is that the Arab awareness of the opportunities that the Chinese open-door policy can offer is very recent and has not yet had time to produce fruits. What is likely to happen, as always happens, is that an increasing number of Arab businessmen and financial establishments will soon move under the influence of the contagion and enter in turn the China line. The Arab businessmen often move with the instinct of competition and the race when a new sphere or a new idea emerges. This is very natural, even though it is necessary in the case of China, as in any other case, not to move on the strength of the motive of "riding the wave" alone but rather on the basis of serious study because investment in China is always a very complex, difficult and uncertain activity.

Cooperation and Friendship Relations

It is noticed that the above-mentioned Arab opening up has come as a natural reaction to China's opening up and to its throwing 14 big gates open to the visitors and investors. The 14 gates are the 14 provinces called the "economic zones" in which the system of encouraging investment and joint projects is applied. Even though China's relations with most of the Arab countries are old, and in some cases firm, and despite the climate of friendship and of the proximity of positions in foreign policy, especially on the Palestinian issue, Chinese-Arab economic relations continued to be limited throughout the preceding period, even though the trade exchange has undergone considerable development with the growth of China's exports of foodstuffs, clothing, textiles, some

consumer goods, equipment and machines. These relations have developed in some cases to assume the form of distinguished relations, as in the case of North Yemen where the Chinese have implemented numerous infrastructure projects, in addition to continuing their work in numerous agricultural projects, such as the Wadi Mawr project and others. China has also succeeded in building special relations with Algeria through firm cooperation in the economic and medical spheres. Generally, China gained early diplomatic recognition from most of the Arab countries. In return, China has supported Arab causes, foremost of which is the Palestinian cause. China has also been careful to implement a friendship policy that underlines the principle of neutrality and of non-intervention in the internal affairs of small countries, that attacks the domination of the "two superpowers," i.e., the United States and the Soviet Union, and that tends to support the concept and progress of the Third World in general. In fact, if it had not been for the psychological and diplomatic barrier which still hampers the development of relations between China and some Arab Gulf states such as Saudi Arabia, then China, not the Philippines, Korea nor even India, would have landed most of the contracts in the area because Chinese workers certainly provide the cheapest labor in the world, in addition to possessing the skill of the Koreans and having their endurance under arduous conditions. In any case, the visit recently made by a big Chinese delegation to the Gulf area, including Kuwait and Bahrain, may be a sign of an important change in the relationship between the two sides.

Dimensions of Chinese "Coups"

Why haven't Arab-Chinese economic relations developed to the same degree as the political relations? The reason is obvious, namely the Chinese isolation for a long period, especially in the days of the "cultural revolution," and the domination of a radical leftist line in the party and the state. This did not, of course, encourage even the mere thought of investment. But this situation began to change fundamentally with the renewed rise in 1979 of Deng Xiaoping's star, who had earlier been forced to step down by the cultural revolution and by Mao's supporters because of his moderate and "unrevolutionary" ideas. Deng was able to consolidate his authority gradually after liquidating the leftist current led by the "gang of four," including the widow of the late leader Mao Zedong. Deng then quickly turned with all his strength to achieving his main objective: building a strong and modern China through economic growth and technological and scientific development. Such an objective cannot be achieved without releasing Chinese society's capabilities and initiatives, without opening up to the outside world to attract investments and without increasingly introducing the Chinese economy into the cycle of international exchange.

Breakdown of Psychological Barrier

Despite the clarity of the features of the fundamental reforms urged by Deng since 1979 and implemented step by step, the world continued to be largely dubious about the seriousness of these reforms and of the possibility of their continuation. But the psychological barrier began to break down in the past 2 years with the emergence of greater indications that the Chinese opening

represents a deep-going phenomenon based on China's objective interests as a state and a society and, consequently, is not tied to the will of an individual or of a group of individuals. Moreover, the deep ongoing changes at the levels of ideology, political programs and the state and party agencies constitute in their entirety further movement toward establishing a new political system, with its different political policy, figures and instruments, not to mention the new interests released within the society itself. Despite the continued presence of the external veneer of the communist system built on the Soviet pattern in the 1950's it is obvious that Chinese society is returning to its Sino-Confucian roots. If this process is completed--and its chapters may be completed within a decade--it will be difficult for any politician or group of politicians to reverse it. When the observers expect any possibility of a setback in the opening to disappear after a decade, they fully realize, of course, what surprises could occur within this decade. However, numerous observers believe that Deng has been able to change the course of China's history by putting this vast continent on a different path of development. He has also been able to consolidate his authority and the authority of his aides and supporters, thus limiting the risk or making it at least acceptable, keeping in mind that whoever takes a risk and enters China now before the others do should expect to reap much greater rewards than those who arrive late, preferring to play it safe. Everything has its calculations, as the saying goes.

Go-ahead Signal from Japan

A strong indication of the strengthened confidence in the continuity of the Chinese opening is the big transformation in Japan's position, in particular in 1984--a transformation considered by some observers as the decisive turning point in the triumph of Dengism (referring to Deng Xiaoping). The year 1984 witnessed a big leap in Japanese investment in China and agreement was reached on more than 1,000 joint projects, including projects for assembling manufactured goods, such as cars and home appliances. These projects were announced in recent months.

It is evident that the Japanese have exercised caution and have waited to find out the depth of the ongoing change. Even though Japan is a traditional client of China, it established only 12 joint projects with China between 1979 and 1983, compared to 130 joint projects set up with Hong Kong and 22 projects set up with the Americans. But with the onset of 1984, the number of the Japanese-Chinese agreements increased suddenly, as if the go-ahead signal were finally given to the Japanese firms to enter the Chinese field through its wide gates. Thus, in only 9 months, the number of joint projects with China doubled to 25, with new investments of \$40 million, not to mention the sums committed in the sphere of oil exploration and in the barter trade.

One of the biggest joint Japanese-Chinese projects in the plant set up by Hitachi for the production of colored televisions with a 50 percent partnership from Fujian Province. The plant's production has jumped from 70,000 sets to 300,000 sets a year, all sold in the Chinese market. Sanyo has also set up three joint projects with Guangdong Province to produce microchips, air conditioners and

other goods. The Japanese banks are currently busy opening new branches in China and trying to help the state plan development and develop the financial market.

Negotiations are currently underway between China and Nomura Bank with the purpose of strengthening the latter's role as a financial middleman in the joint Chinese-Japanese projects. Nomura has basically allocated \$54 million to build a luxury hotel in Shanghai and has also participated with the Bank of Tokyo in managing the first Chinese bond issue, valued in yen and amounting to \$79 million.

One of the major factors desolving the complex of Japanese caution and the caution of the other foreign firms was the important reform introduced to the investment laws in 1984. The authorities filled the gaps which still existed insofar as protecting the foreign partner in the joint projects and foreign investments is concerned. A law protecting invention patents and licenses was issued and a fourth law explained the tax and customs facilities granted to foreign investment in China. Moreover, China has been able to accumulate a foreign currency reserve currently amounting to nearly \$16 billion, thus enabling it to permit the joint projects to convert the profits they make in local currency into dollars. In the past, China resisted the idea of setting up joint projects that market their production locally and sought to channel such projects primarily toward exportation.

It is evident that Arab businessmen have begun to see in the position of the U.S., Japanese and European firms converging on China to negotiate for the establishment of joint projects a strong sign that they also can rest assured. If the Americans, Japanese and Europeans have gotten the go-ahead signal from their governments, then this in itself means that these countries possess information and data that makes them feel more reassured than in the past and more capable of reassuring their subjects. When the Arab businessman expresses the belief that the Chinese transformation is firm and continuing, he does not rely so much on his special information or on the Arab countries' expertise with the Chinese situation as he relies on interpreting the Western position and on reading the signs gathered from here and there in the behavior of the Western companies. There is, of course, no other way for the Arabs to feel certain of their initial decision to turn toward China. However, it is evident that the initial decision is not enough. The biggest challenge in the coming phase will be the ability of the Arabs to translate the cooperation plans into real opportunities and projects. The ambition of some Arab businessmen, (Dr Kamal al-Sha'ir, for example), is to see the Arabs succeed in setting up large-scale and varied joint projects which could subsequently produce significant political results and dimensions and which would not be confined to the economic fruits. The Arabs should not forget here that China is a natural political ally of the Arabs and that it is, at least so far, free of the Zionist influences and does not suffer from a "Jewish problem," unlike Europe, the United States and the Soviet Union.

Kuwait's Role

In this context, the founding , by a number of Arab businessmen and financiers of a holding investment company to set up joint projects in China is an important

step, considering that it represents a leap in the level of dealing between Arab business circles and a country of the size and complexity of China. This move in dealings from the individual formula to an establishment-oriented formula implies seriousness and offers the Arab side the possibility to amass resources and expertise when negotiating for the establishment of joint projects with the Chinese. But what is also of special significance is the selection of 'Abd-al-'Aziz al-Saqr, chairman of the Kuwait Chamber of Commerce and Industry, to head this company's constituent assembly. This selection has relied not only on the respect the man enjoys and on his experience in developing Arab relations with the outside world but also on the special relationship that binds China to Kuwait. Kuwait, which has always enjoyed a trait of independence in its foreign policy, was among the first Arab countries to recognize the PRC, in the mid-1950's to be exact and shortly after Egypt's and Syria's recognition. China appreciates this Kuwaiti position, especially since it secured for it the first official contacts with the conservative Gulf area, which is rich in oil. The Kuwaiti-Chinese friendship has been reflected in constant development in the trade exchange and in diplomatic and cultural relations between the two countries. It has also been reflected in generous Kuwaiti aid for China. Between 1980-84, the Kuwaiti Development Fund financed six development projects in China through soft-term loans totaling \$180 million. The Kuwaiti Real Estate Investment Group began studying Chinese investment opportunities as of 1982 and has resolved, it seems, to draw up a plan for building a commercial and residential complex in the capital of China in light of the urgent need, which will continue to be big, to provide housing facilities for businessmen and representatives of foreign firms. Most of these people are still compelled to rent offices or residence in the few existing hotels and to pay an exorbitant rent in return.

Al-Khaja: China Respects Its Commitments

Dr Muhammad al-Khaja, who works with the Real Estate Group, believes that Arab capital finds in China an investment climate characterized by a positive attitude and the desire for cooperation by virtue of the proximity of political positions and motives and because both sides belong to the Third World. Dr al-Khaja, who has visited China and familiarized himself with the developments on the spot, points out that what best distinguishes investment in China is the authorities' respect for their commitments, keeping in mind that reaching an agreement needs time and requires the approval of the provincial authorities and, at times, the central government's approval. However, the authorities' role diminishes greatly once an agreement is signed and this role is confined to observing and following up on the project activities in accordance with the prepared studies. But, al-Khaja adds, the Chinese side's eagerness to fulfill its commitments is equalled only by its eagerness to see the foreign side fulfill its obligations honestly and within the set timetable because the Chinese authorities are very sensitive to any mistakes or violations, because such mistakes or violations provide material for criticism and an assault on the open-door policy by those in the party and the government who oppose this line, and they are many, and by representatives of the line that is strict with foreign investment who lie in wait for the opportunity to launch their counterattack and regain their influence.

Therefore, Dr al-Khaja advises the Arab firms wishing to deal with China to behave honestly and to prepare their studies and projects well if they wish to build a lasting relationship with this market.

Al-Qassar's Experience with China

One of the important and fundamentally available spheres which the Arabs can enter is, of course, the sphere of trade and of developing exchange with the Chinese market, whether through direct exchange or trilateral trade (re-exportation).

In this regard, it can be said that 'Adnan al-Qassar, chairman of the Beirut Chamber of Commerce and Industry, possesses invaluable experience resulting from his pioneer role in building trade relations with China for more than 30 years. Al-Qassar notes with a measure of pride how he was able to conclude the first deal to sell 1,500 tons of Syrian cotton to China in 1953 when he was no more than 24 years old. Al-Qassar gained the trust of the Chinese quickly and was able, thanks to this trust, to further his activity in representing Chinese firms in the Middle East and Lebanon and in the trilateral trade. It is not surprising nowadays to see al-Qassar Establishment rely on its long experience to market Chinese goods in the United States and some other countries, despite the presence of Chinese trade missions. Al-Qassar recently set up a joint investment firm with China with a capital of \$40 million. The Chinese government has contributed 20 percent of the capital and the firm will begin operating at the outset of 1986.

Like other pioneers who voyaged to China early, al-Qassar firmly believes that the Chinese opening is real and will be entrenched and will last. "I have no fear of a setback. I know them and what is happening now is a true reflection of the nature of the Chinese and a proof of the triumph of the genuine Chinese tradition over rigid intellectual molds." But al-Qassar is careful not to go to excess in simplifying when expressing his optimism regarding the future: "China is a difficult country and the Chinese are intelligent negotiators. You must, therefore, be patient and innovative to succeed with them. Even in this case, do not expect high or extraordinary profit rates."

Al-Qassar believes that one of the Arabs' opportunities in China is in the area of trade because the Arabs are merchants by nature and because their geographic position, their financial capabilities and their experience enable them to play a major role in this sphere. He views with interest the opportunities offered by "Countertrade" because the Chinese have their special methods and their appetite for trade and investment. They are eager not to invest monies whenever possible. They may agree with you on a project but they will pay you in goods. Consequently, it is essential that one possess the capability to market such goods to recoup the cost of the project or of the goods one exports to them."

One of the Arab firms that has been able to establish a direct inlet to the Chinese market is the Engineering House Company--Sha'ir and partners--which has concluded an agreement with the Shenzhen Special Economic Zone to set up a joint firm for engineering works in the province in particular and in China

in general. This company's partnership is divided into 51 percent for China and 49 percent for the Engineering House. A board of directors consisting of 11 members has been elected for the company, with 6 members representing the Chinese side and 5 members representing the Arab side. The company chairman is a Chinese and Munir Nassar, director of the Engineering House office in London, was appointed deputy chairman. The company has also appointed a British general director. The agreement stipulates that formulation of the company's general policy will be the task of the Chinese, with the Engineering House taking charge of the daily management and supervision of the implementation of the projects. The company has, in fact, launched its activities with a study on building a major port on the province's coast. It has also concluded contracts for the civilian works of a number of projects in the province.

Dr Kamal al-Sha'ir, chairman of the Engineering House who has visited China several times, believes that the Chinese opening is a firm reality and not just a transient policy and that China has crossed the point of no return on the line of economic reform along which it has been proceeding, China, adds al-Sha'ir, is awakening and rediscovering its vast capabilities. It is determined, it seems, to release the Chinese initiative, which is known for its energy and intelligence, from the bottle of bureaucracy and ideology. China possesses enormous resources embodied in vast areas, all of which are nearly exploitable, a tremendous number of people exceeding 1 billion people and a cultural heritage that is no less profound than the heritage that has created the Japanese miracle. Moreover, it has a vast number of excellent technicians and engineers. We should also not forget that China is a nuclear country that has been able to develop its nuclear weapons and its intercontinental missiles through self-reliance and despite the "technological blockade" imposed against it by the United States and the Soviet Union. Al-Sha'ir also notes that China is trying to bridge the technological gap through the short cut of acquiring technology from the West and absorbing it instead of waiting until a national technology is developed. It is thus following the example of Japan, which began to transfer and absorb the West's technology before it could innovate and compete with the West in its own ballpark. But China, adds al-Sha'ir, is still suffering from the residue of a long period of isolation and of caution vis-a-vis foreigners. The Chinese take a longer time in negotiating and concluding contracts. They are aware of their national interests and they want well-studied scientific investment programs and long-term commitments from the foreign partner. But China feels more comfortable with the Third World countries. This fact, al-Sha'ir goes on to say, may be a basis for an important role which the Arabs can perform in establishing firm and constructive cooperation with China. But such a role requires, in the view of the Engineering House chairman, a collective approach and the founding of Arab groups to deal with China in a well-studied manner and with big resources. This view is what has motivated al-Sha'ir and a number of Arab businessmen to exert efforts to establish the holding company as an instrument for negotiating and for concluding contracts with joint firms in China.

One of the important elements which will play a role in Arab-Chinese relations is the historical relationship between the two peoples, especially with the presence of a large number of Muslims in some of the Chinese provinces that

are rich with oil, such as Ningsia Province. This, for example, is the view of 'Adil Dajjani, director of operations of Dynavest Company, which is an investment company comprising Arab investors and active in the United States and the Far East. Dajjani has a rich experience with the Chinese human, political and economic reality by virtue of the role he played as an official in charge of the Far East operations of Wardley Bank, one of the banks owned by the Hong Kong-Shanghai Group. Dajjani is also one of the few Arab bankers who have built relationships with several levels of the Chinese administration. Moreover, he has toured China and familiarized himself on the spot with the real situation of the provinces inhabited by Muslims. He has even emerged from his travels in China with a valuable book on "the Muslims in China" which he is now preparing for publication in collaboration with photographers from the well-known NATIONAL GEOGRAPHIC.

Dajjani believes that the cultural factor is important and must be utilized to expand economic relations with China. Arabs have known China since ancient times and their caravans were the most active on the "silk route" which extended from the Middle East to northern and central China, passing through Asia Minor and Malaysia. The strong Muslim presence in China is in fact the most significant outcome of those historical trade relations.

Even though the Chinese government estimates the number of Muslims in China at 17 million people, Dajjani has evidence that this figure is much less than the real figure, which perhaps amounts to 50 million. Dajjani was surprised when he visited the Muslim areas because he found that the shaykhs and jurists of these areas speak Arabic well, and even teach it to their children, and that they show an interest in and enthusiasm for anything Arab, especially in any Arab or Muslim visitor.

Dajjani notes that the Muslims are present in China's richest provinces, i.e., the provinces rich in oil and minerals, and that the governors and agencies of these provinces are prepared to give priority to the Arabs and to cooperate with them, if an Arab partner capable of establishing joint projects is found. In Ningsia Province, inhabited by a Muslim majority, the province ruler confided to Dajjani that he wishes to embark on activities with the Arabs because he possesses the power of decision-making now that the provincial governments have been given broad powers to conclude contracts and to set up projects without necessarily consulting with the central government in Peking.

'Adil Dajjani Advises

'Adil Dajjani offers in this regard what he considers to be a number of basic rules which, if observed, can be beneficial to any Arab investment activity in China:

First rule: Don't think of China as a short-term investment but rather as a long term investment because the Chinese do not like hunters of quick-profit opportunities. Often, they do not enable them to land their prey. They are discerning people who examine matters well and take their time doing so. Moreover,

they love their country and are sensitive to its interests. If one is not prepared to embark on a long-term investment, then it is better for one, says Dajjani, to go to Hong Kong where the opportunity may be available for this kind of short-term investment.

Second rule: Big size is not necessarily the best and most likely to succeed in China. It is certain that size gives you an edge but China is a vast market and needs everything. The dynamic medium-size Arab companies should not hesitate to explore various spheres of work. What is important is the presence of seriousness and of the right commodity.

Third rule: Personal relations are very important. The Chinese relies greatly on testing persons and remembers a favor well. He is inclined to take his time before he actually opens up to you. But if he trusts you, he will open numerous doors for you.

Fourth rule: Start with Hong Kong because the people of Hong Kong have learned to deal with the Chinese. They are Chinese basically, they speak the language and they have an enormous asset of personal contacts with mainland China. This role by Hong Kong will grow with the growing relationship between Hong Kong and the motherland and with the approach of its return to the Chinese sovereignty with the onset of 1977.

Fifth rule: When presenting any joint project, make sure that it is a complete deal encompassing all that is essential to the project, including the financing process. Therefore, it is better to establish a good relationship with business banks from the outset, to include them in the study process and to get their support for the project.

Sixth rule: It is better for Arabs to work as a group because this makes them more capable of meeting the needs of some major projects, and of pooling their expertise, thus making them a creditable party in their relationship with the Chinese.

Spheres of investment: Agriculture is an important sphere. There is a big possibility for sheep and livestock-breeding projects designed for export to the Arab countries or other countries. The clothing and toy industries and other industries are also important. Many of the products of these industries can be marketed in China itself. Finally, there is the Arab expertise in the oil production and refining industry, in tourist and commerce projects and in contracting.

Since 1949, China's growth has been characterized by the use of more capital and labor rather than by the most efficient use of resources. In the past 5 years, the Chinese leadership has introduced economic and social reform "coups" of which the most significant are:

1. Elimination of Maoism, the removal of the leftist current and the entrenchment of Deng Xiaoping's power through purging the party in the provinces and

in the central administration of the elements opposed to reform and through placing young and capable leaders who support Deng in the highest party and government positions.

2. Elimination of Marxist-Leninist dogma by declaring in Communist Party resolutions that it is not fit to interpret and solve China's problems and that China must devise its own path. This has been coupled with the rehabilitation of Confucianism which is the moral, social and spiritual philosophy which has formed throughout the centuries the real "cement" of the Chinese society and one of the most important characteristics of Chinese nationalism.

3. Destruction of the contempt-for-profit complex and the initiation of a policy that encourages initiative and the making of profit and that, consequently, permits the accumulation of wealth. Within a short time of the introduction of this policy, an "eruption" occurred in private initiative among thousands of Chinese, especially in the agricultural sector. Within a short period, more than 20,000 accounts with a value of \$75 million were opened in the Bank of China, according to this bank's sources. The Chinese government also honored a Chinese farmer who accumulated a large amount of wealth and became a millionaire, owning cars, houses and luxuries. The millionaire was a subject of welcome and praise in the Chinese official press for weeks.

4. Rehabilitation of the law of the market and the inclination to give the supply and demand law a greater role in determining both wages and prices. A large part of this transformation has been applied in the agricultural sphere.

5. Alleviation of the state's intervention in the provinces' administrative and economic affairs and the application of decentralism on an ever-growing scale in the provinces so as to allow them to make decisions on many of their investment and production affairs without consulting the central administration in Peking. In this respect, 14 economic zones have been created and prepared to receive foreign investment in 14 major cities, including Pe-ing, Shanghai, Canton, Shenzhen and others. These zones have been given the freedom to deal with investors directly and to offer them incentives.

6. The achievement of what seems like a real revolution in the agricultural ownership and production laws, with the peasants and the farmers being allowed to contract with the government for the production of set quotas while being given them the right to dispose of any extra quantity they produce in the free market at the price the market offers. Moreover, the agricultural utilization contracts between the state and the farmers have been extended from 3 years to 15 years or more for the purpose of encouraging the farmers to invest more heavily in equipment and machinery and not to exhaust the soil in a short period. This policy has resulted in the creation of an enormous grain surplus, in increased cotton exports, in record seasons in other exportable crops, such as oil seeds, in the unprecedented availability of vegetables and other crops, in the emergence of a large group of rich farmers and in increased demand for manufactured goods. This in itself creates incentives for reforming the industrial system and freeing it of the shackles of central planning so that it may be able to respond to the increasing demand by offering a counter supply of good-quality commodities.

7. Proceeding on this basis, the authorities began at the end of last year implementing a plan to free Chinese industry of the bureaucratic nightmare by giving plant directors broad powers to offer rewards and inflict punishment on workers, depending on their productivity level and their contribution to the work and by empowering directors to employ and dismiss workers according to the plant's needs, even if the situation dictates the dismissal of a certain percentage of surplus workers to reduce costs and make a profit. Despite this, the prevalent impression is that success in this sphere is not as easy to achieve as the successes realized in the agricultural sphere.

8. The promulgation of a number of laws that explain all the economic and tax incentives given to the joint projects in the economic zones. These laws protect the foreign partner and the trademarks and they have had a great impact on overcoming the fears of foreign firms.

9. An important reform has been made in the educational system, restoring it anew to the principle of selectivity and of choosing the better students for the universities, of putting the emphasis on the applied sciences and of introducing computer studies (nearly 8,000 students are currently specializing in this field and the figure is expected to leap to 15,000 by the year 2000).

10. Modifications were recently introduced to customs policy, including the following:

-- Reducing the customs tariff of electronic parts and raw materials needed by industry, especially on parts and materials that are scarce in China.

-- Abolishing the export fees on most goods.

-- Increasing the fees imposed on imported goods that are similar to goods produced locally.

11. The 1986-90 5-year Plan has been published and it focuses on renewing and developing existing projects rather than building new projects and plants. Emphasis is also placed in investment in developing an effective communication system that allows China to modernize its internal and international communications network before 1990. The appropriations allocated for this purpose alone amount to \$30 billion. However, it is doubtful that China is capable of spending such a sum on communications within 5 years.

Development of China's Trade with Arab Countries (in 10,000 Yuans)

Country	Total		Exports		Imports	
	1983	1982	1983	1982	1983	1982
Bahrain	6,695	2,671	2,130	2,671	4,565	-
Iraq	9,023	24,438	6,935	23,040	2,088	1,398
Jordan	306,397	249,643	300,964	248,646	5,433	997
Kuwait	29,476	25,192	19,625	20,918	9,851	4,274
Lebanon	5,799	5,588	5,798	5,587	1	1
Oman	1,884	2,110	1,877	2,110	7	-
Qatar	9,653	11,105	1,149	1,506	8,504	9,599
Saudi Arabia	33,273	36,287	29,574	34,400	3,699	1,887
Syria	36,799	14,263	32,885	13,412	3,914	851
UAE	13,578	15,039	13,576	15,039	2	-
North Yemen	16,133	61,614	16,133	61,255	-	359
South Yemen	10,556	7,475	10,539	7,475	17	-
Egypt	45,149	56,545	40,724	44,754	4,425	11,791
Libya	16,055	36,321	9,243	32,269	6,812	4,052
Morocco	14,996	15,699	6,607	9,383	8,389	6,316
Algeria	20,066	34,166	19,834	33,488	232	678
Somalia	2,638	4,142	1,737	3,586	901	556
Sudan	15,801	16,086	5,911	8,603	9,890	7,483
Tunisia	8,279	8,545	4,451	4,125	3,828	4,420
Arab Countries' Total	602,250	626,929	529,692	572,267	72,558	54,662
Percentage of China's Total Trade	7.0	8.12	12	13.8	1.7	1.5

Tendencies of China's Balance of Payments (in Billion Dollars)

	1983	1984	1985	1986	1987	1988
Exports (F.O.B.)	23.3	24.6	26.3	27.9	30.1	33.2
including:						
oil & its derivatives	(4)	(3.7)	(3.5)	(3.5)	(3.4)	(3.3)
textiles	(5.9)	(6.2)	(6.6)	(7.0)	(7.5)	(8.2)
other exports	(13.4)	(14.7)	(16.2)	(17.4)	(19.2)	(21.7)
Imports (F.O.B.)	19.8	23.8	28.5	33.2	38.0	42.7
including:						
primary products	(5.5)	(6.0)	(6.2)	(6.4)*	(6.7)	(7.0)
manufactured products	(14.3)	(17.8)	(22.3)	(26.8)	(31.3)	(35.7)
Trade Balance	3.5	0.8	-2.2	-5.3	-7.9	-9.5
(Net) invisible revenues	2.8	2.5	3.0	3.1	3.0	2.9
(Net) non-financial services	0.4	0.5	0.6	0.7	0.8	1.0
(Net) interest	0.8	1.4	1.7	1.7	1.4	1.0
Remittances	0.6	0.6	0.7	0.7	0.8	0.9
Current account (net capital flow)	5.3	3.3	0.8	-2.2	-4.9	-6.6
Direct Investments	0.4	0.4	0.5	0.5	0.6	0.7
Non-bank loans	0.2	1.0	1.5	2.0	2.2	2.4
Bank loans	0.1	0.3	0.4	0.5	0.6	0.7
Reserve Use	-6.0	-5.0	-3.2	-0.8	1.5	2.9
Other Articles						
Foreign Assets	21.9	26.9	30.0	30.8	29.3	26.4
Currencies Reserve	17.1	22.1	25.2	26.0	24.5	21.6
Gold	4.8	4.8	4.8	4.8	4.8	4.8
Foreign Debt	4.7	6.0	7.9	10.4	13.3	16.3

Source: Expectations based on statistics of IMF, U.S. administration, a number of research institutes and multinational firms

ISRAEL.

GROUP PROFILE OF KAHANE'S FOLLOWERS

Tel Aviv MA'ARIV in Hebrew 9 Aug 85 p 17

[Article by Avino'am Bar Yosef: "The Little Kahanes"]

[Text] At the conclusion of election day for the 11th Knesset, a small noisy group waited near the KAKH movement staff in Mahane Yehuda in Jerusalem. They wanted to mark their "rabbi's" impressive accomplishment. Deep into the night, when victory was already in his pocket, Me'ir Kahane arrived, drunk with victory.

The well-known cries were heard "Kahane, Kahane" and the victor was carried on people's shoulders. When they left Agrippa Street a small Fiesta stood in their way. The group "trampled" the car riotously. When the last of the Hasidim got off the roof, it was as if it had been in a serious accident. Afterward they decided on their objective--the Western Wall. The marchers were sweaty, some of them in grease-stained shirts. A few had pistols stuck in their belts.

The day before yesterday, at night, at the Nazareth home of Alexander Finkelstein, Kahane's key man in the north, we met another kind of Hasid. A three-room apartment, very clean. His wife walks with him the entire way. Four nice children. Two of them, a son and a daughter, serve in the IDF.

Finkelstein, an IDF invalid from 1948, was born in the moshav of Balfouria in 1928 and was educated in the Emeq. His father, Alter, served with Ben Gurion, Shazar and Jabotinsky in the Jewish battalions. He might have been expected to be a member of the Labor party, in the Ein Vered circle or in Rafal's "Tzomet" movement. In fact he conducted a brief courtship with the former chief of staff after his discharge, but when he became convinced that the man was becoming institutionalized, he found himself in the arms of Kahane, who seems so different from him.

"I was pushed into Kahanism because of the government's failures," he says, using the same terms as those who are panic-stricken by the new phenomenon. "Of course I am afraid. I don't like his pronouncements against the left and the kibbutzim. I am a secular person. Years ago I used to hunt wild boar and

eat the forbidden flesh. I stopped because of my wife and children, not because of Kahane.

"Fear is a natural thing. When you stand under the wedding canopy, it is natural to fear the unknown. KAKH is a movement in the process of crystallization, of charting its path, a process that will continue for a long time and undergo many changes because of the makeup of the people. I am for Kahane because of the failures of all the parties, from the rise of the state until today, on the Arab question--a policy which portends for us a new version of the Lebanese model. On this little piece of ground there is no room for double ownership by two nations".

The goal of sketching Kahane's people seemed almost impossible this week. The number 2 man on the list, Yehuda Richter, is still in jail in the wake of the attack on the bus passengers on Mt. Hebron. Number 3, Dr Barukh Goldstein, is an army doctor on regular service. He was not prepared to speak without authorization from the IDF spokesman. Brig Gen Efra'im Lapid turned the request down cold. Number 4, Avner Ozen, is in jail. He attacked a group of MK's, among them Mordekhai Wirshovsky, when they came to visit underground prisoners in Tel Mond.

The secretary of the KAKH faction in the Knesset, Barukh Marzel, a heavy man, lives in Tel Romeyda and is very active in improvised campaigns by West Bank settlers against Arabs who identify themselves with the terrorists in the Hebron area. He agreed to meet until he received explicit instructions from Kahane to cancel the meeting. The order was given to his staff, and they passed along to me the way the conversation went. In a hysterical voice, he said: "Not MA'ARIV. Not you. We are avoiding you, period. Finished, that's it. No more," and slammed down the phone.

As if a magic wand had been waved, they all fell silent. Moshe, a thin young man, tore from my hands the note on which I had listed the names of those active throughout the country. It was not pleasant.

Finkelstein also had to go to some trouble to get the movement's OK to be interviewed. Afterwards he took matters into his own hands and set up a meeting. He knows that Kahane needs him no less than he needs Kahane. When the riots broke out in Afula following the murder of the school teachers, Finkelstein was there. According to him, on his own initiative. The others, who joined in with shouts of "Kahane, Kahane," were veteran activists from all over the north, local sympathizers, bereaved families of those struck down in acts of violence and fellow travelers jumping on the bandwagon. They called them "rabble," and they were insulted. "There is a little Kahane in the heart of every Jew," Finkelstein said.

He began his public activity a few years ago when an Arab purchased an apartment for his concubine in the housing development where he lives. Afterwards the other tenants in the neighborhood, flooded with Arabs, joined in. After that there were neighborhood committees and finally they established the organization MENA ['prevention'] (here, an acronym for 'defenders of Upper Nazareth', which rebuked Jews who rented or sold apartments to the minorities. The organization also tried to persuade the new

apartment dwellers, "through legal means," that this was not the place for them.

Kahane captured Finkelstein's heart via the Arabs from Lower Nazareth. He captured the hearts of those residents of Afula who last week incited against Arab workers via the latest acts of murder.

In Afula they waited for the signal from Menahem Hitt. Until this week he was considered the head of the KAKH branch. He is short and thin with black, curly hair, jean shorts, a white undershirt and he goes around barefoot. Those who remember him from elementary school say that he was kid with a "heart of gold." How he wound up there, nobody knows. A good heart but a failing student. After military service he would buy vegetables in Janin and sell them in northern markets.

He is afraid to be interviewed without authorization from "the rabbi" and absolutely refused to be photographed. He waits by the phone at his home and tries in vain to get the desired authorization. From what he says, you can gather that in the wake of the general media attack on KAKH last week, Kahane has decided to have his people go underground. Only after they tell him KAKH has a new leader in Afula does he agree to open his mouth.

"There are people who don't know what Kahane is. They distort his face on television. He has the right ideas and they just yell at him. He is the brains and we are the soldiers. Let him just give the order and you will see what we will do to you reporters. For him, you are just like the Arabs and the left, his belly is like a cement mixer against you. Once he gives the word, we will get rid of you."

Hitt is a KAKH activist. Qubi Amos, Gadi Honche, Eli Mizrahi and Freddie Simi join him when "the Jews are in danger." Freddie Simi says: "We need someone like Hitler here." Eli Mizrahi, the most serious among them and the manager of a large business in Afula, says: "You have to watch the Arabs. Give them transit cards and make sure that they are not in our precincts between 5 in the evening and 6 in the morning. Anyone walking around during those hours should be sent to jail."

Mizrahi claims that he has nothing against Arabs. Only that they are very dangerous. He lost a lot of business because of the riots. The Arabs stopped patronizing his business.

Kahane's new Hasid, destined to become head of the KAKA branch, is Avi Gavri'eli, 33, the owner of a transportation office. "I still have Arab workers, but I hope to replace them with Jews." Only a year in Afula, he is said by the old-timers to be an opportunist taking advantage of the blood of the slaughtered. He was a Likud man who became disheartened. [Line missing]...he brought him to his house. Since then every day the telephone calls run in both directions.

[Question] Did you ask Kahane if he has technical solutions to the ideology of expulsion?

[Answer] "No, no I didn't ask, but I think that you have to set up work camps for the Arabs and force them to serve in them for 3 years instead of military service. For example, make them implement the Two Seas Canal and other national projects."

[Question] And if they don't want to, kick them out?

[Answer] "Yes. But I haven't thought about that. As a transportation man I know that you can find solutions. If Kahane charges me with that, I will have to get into the thick of things and I will bring him a solution.""

Alexander Finkelstein, still haunted by the trauma of the dissolution of the Palmakh, does not personally know most of those active in his movement. He has talked with Kahane, but they remain divided on tactics. Their goal is the same--removal of the Arabs. "How will we achieve it--peacefully. We will propose to Husayn that we give up our legitimate claim to Transjordan and will offer him Israel's Arabs in an exchange in which he will also take the residents of Judaea, Samaria and Gaza. Eight hundred thousand experts who received technical training in Israel is an offer that he can't refuse. If he doesn't want to, we will help them go there."

People in the Ministry of Education were surprised to hear that Moshe Neumann was appointed general secretary of the KAKH movement. He was born in 1956, grew up in a Jerusalem household, studied at Shilo school and in the central rabbinical yeshiva, thought to be one of the strongholds of the Gush Emunim. He did not serve in the IDF, busying himself instead with instruction at Netivot. In 1978 he joined Shalah (field director on social and national matters for religious education in the Jerusalem district). He is a resident of Mitzpe Yeriho. The opinion about him at the ministry is average to low. He was known as an introverted person, lacking initiative. Suddenly he became general secretary of KAKH. Those who worked with him and knew him as a junior director were surprised.

These are Kahane's people. The staff in Mahane Yehuda is not like the staff of a serious movement. Kahane runs alone and decides alone and everyone is afraid of him--even Neumann or Marzel, who accompany him on his trips. He knows where to go because he has antennae in Afula, in Nazareth, in Rosh Ha'Ayn, in Bet Shemesh and in Qiryat Arba.

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NEGEV BEDOUINS' ATTITUDE TOWARD LABOR REVIEWED

Tel Aviv DAVAR in Hebrew 22 Aug 85 p 10

[Article by Amir Rosenblitt: "Negev Bedouins Disappointed with National Unity Government"]

[Text] Disappointment and anger, that is how you could categorize the feelings of the Negev Bedouin population toward the National Unity government. Many bedouins, among them some identified politically with the radical parties, voted for Labor in the last elections out of the belief that Labor would pay back the IOU given out before the elections by its chairman Shimon Peres. The 11-paragraph document (including an obligation for a compromise land agreement, a change in the location of the "drought line" and fair representation of the bedouins in various government ministries) reawakened confidence in the Labor party among many bedouins, including those who had voted previously, in protest, for the radical lists. The visit of the minister for minority affairs, Ezer Weizmann, to Negev bedouins on 29 January of this year and his dramatic announcement that he had decided to give up his post as adviser to the prime minister for Arab affairs, aroused many hopes among them. "I no longer want Jewish shaykhs; you will be my advisers," Weizmann declared, and added that the intention was to set up an advisory council composed of bedouins and Jews alike.

But as the days wore on, the bedouins' disappointment in the National Unity government grew. The secretary of the Labor party for the bedouins, Sulayman al-Badr, says: "To our surprise Dr Yosef Ginat, Minister Weizmann's adviser, visited us last week and announced the establishment of a supreme bedouin committee with 16 Jewish members and no bedouin representation. Among the members of the committee are people whose names are connected with the confiscation of bedouin lands."

Al-Badur, 28, from the dominant Bedouin leadership in the Negev, levels strong criticism at the makeup of the committee and at the choice of its membership which, he says, was done arbitrarily, without consulting the bedouins. "I was never a supporter of the adviser's office for Arab affairs, but I don't understand what the great innovation is in doing away with the adviser's office and then appointing a committee for bedouin affairs, the composition of which is completely unacceptable to us. We will not cooperate with any committee whose members we don't see. It would be proper to turn to the bedouins to elect their own people to represent them on a committee that deals with their affairs."

Dr Yunis Abu Rabi'a, a resident of Be'ersheba, is also angry and formulates his words more sharply: "When you want to bury a certain issue, you form a committee. It seems to me that this concept is well developed in the Jewish establishment. The establishment of a supreme bedouin committee instead of the adviser's office is the same lady in a different dress. Such a committee is likely to retrogress to the period of the seventies. The committee that was active then caused the bedouins great harm. It did not prevent their deprivation and did not take care of the really important matters such as land agreements, confiscation of land, etc. To this day there are no industrial plants in the towns of Tel Sheva and Rahat. The committee kept itself busy with the question of the population of Lod when it should have been dealing with land arrangements and population both. Such a committee is like giving an aspirin to someone who is gravely ill."

The supreme bedouin committee, which met for the first time last week, is, as we said, made up of 16 members, headed by Dr Yosef Ginat, and there is not a single bedouin representative. Members of the committee include, among others, the head of the southern district, Shalom Danino, the deputy director of the Israel Land Bureau, attorney Efra'im Kron, Pelia Albeq, the director of the civilian legal practice division, the director of the Ministry of Education in the Negev district, Amram Melitz, and the head of the operational administration in the field, Hazi Yehezqel.

"Last year there was no change for the better in the condition of the 60,000 Negev bedouins," says Dr Abu Rabi'a, and explains: "The bedouins today are in the process of populating the new towns. In my opinion, until this process is completed, they have to stop the destruction of homes and buildings (this is done by the "green patrol"--A.R.). Another difficult problem is the serious drought that mainly hurts the bedouins, because they are not included within the 'drought line,' that runs in the area of the kibbutzim Shuval and Lahav, and therefore are not eligible for drought compensation like their fellow Jewish farmers. As among the Jews, there is also widespread unemployment in the bedouin sector, especially among the young. Until there is a complete solution, the other bedouin problems will not be solved."

Because of the bedouins' disappointment with the policy of the National Unity government and the non-implementation of the obligations given by the Labor party on the eve of elections, there is now prevalent among them, according to Dr Abu Rabi'a, an inclination toward the radical political lists such as the New Communists and the Peace Activist list.

Sulayman al-Badr confirms that and adds, "I am a member of the Labor party, but first and foremost I am a representative of the area's bedouins. Wherever a bedouin house is destroyed, the first ones on the scene are the New Communists and the Peace Activists. They sow ferment among a quiet population that is loyal to the country with slogans against the destruction of houses and land confiscation. This dangerous situation should be stopped."

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CSO: 4423/9

ISRAEL

MEQOROT WATER COMPANY 1985-1986 BUDGET

Tel Aviv DAVAR in Hebrew 19 Aug 85 p 5

[Article by David Mushyuv: "The Meqorot Development Budget--\$30,000,000"]

[Text] The Meqorot company development budget for the current fiscal year, 1985/86, will be \$30 million instead of the \$38.8 million of the previous fiscal year. The decline in the allocation of funds for the Meqorot water company development budget is due to the overall cut in various government budgets this year.

The lion's share of the development budget this year, \$23 million, will be invested in laying a third, 70-inch diameter, water pipeline into the Negev to bring purified Gush Dan waste water from the plant in the sands of Rishon Letzion for agricultural irrigation in the Negev. Twenty-one kilometers of pipes will be laid with from this budget. The length of the line is 50 to 60 km and the overall investment in the plant is estimated at \$100 million. The intent is that within 3 years it will be possible to see the first purified waste water flow from Gush Dan to the Negev. Upon completion the plant will supply 100 million cubic meters of water a year.

In the past fiscal year, various water projects were carried out, among them water lines from Halqit to various settlements, within the framework of the trans-Samaria water plant. Various operations were also carried out in the development of water sources in the plant intended to supply water to the Jewish settlements in the Mt Hebron and Gush Etzion area. Some \$3.7 million were invested in these projects.

In the area of Lakhish, Magen and the Negev, various water drilling operations were carried out as well as the equipping of water supply systems for various settlements. More than \$6.5 million were invested in these projects.

In the area of the Negev mountains and the Arava, various water drilling operations were completed and put into operation. Similarly various water lines were laid and completed to supply water to the settlements. Among other things, groundbreaking work was begun to lay the foundation for the En Boqeq-Neve Zohar highway, to permit laying a 12-inch line to increase the water supply to the hotels in the Dead Sea area. Some \$7.6 million was invested in these operations.

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CSO: 4423/9

KUWAIT

BRIEFS

TARIFFS RAISED--Kuwait, 21 Sep (KUNA)--The minister of oil and industry, Shaykh 'Ali al-Khalifah al-Athbi al-Sabah announced that the ministry's committee for the development of industry, which met today under his chairmanship, reviewed the studies for industry protection prepared by the Industrial Affairs Office, and decided to agree to the raising of the duties on the imported goods similar to the local products in the following manner: 1) mineral water by 20 percent; 2) baby diapers and women sanitary napkins by 15 percent; 3) the following kinds of paper: roughing paper, (?slong) paper, nest liner paper, craft paper, craft liner paper, cardboard and sanitary paper for manufacturing paper tissues by 25 percent; 4) plaster powder and boards by 20 percent; 5) all the kinds of Portland cement by 15 percent; and 6) glass fibers used of insulation by 25 percent. [Text] [Kuwait KUNA in Arabic 2119 GMT 21 Sep 85 LD] /6662

NEW JUSTICE MINISTER--An amiri decree was issued yesterday appointing Sa'ud Muhammad al-'Usaymi as justice, legal, and administrative affairs minister. He will thus succeed former Justice Minister Salman al-Du'ayj al-Sabbah, who resigned his post in May. [Excerpt] [Kuwait AL-RA'Y AL-'AMM in Arabic 10 Oct 85 pp 1, 21 GF] /6662

CSO: 4400/40

OMAN

MINISTER DISCUSSES GCC ECONOMIC ISSUES

GF152020 Manama WAKH in English 1645 GMT 15 Oct 85

[Text] Muscat, 15 Oct (WAKH)--Omani Minister of Commerce and Industry Salim 'Abdallah al-Ghazali said that the idea of setting up a joint Gulf market will follow the implementation of the economic agreement signed among the AGCC member states.

"But it is premature to discuss the issue," he said in a statement to GULF NEWS AGENCY.

Regarding the AGCC and the EEC talks in Luxembourg, Mr Al-Ghazali said that the talks between the two sides were satisfactory. He added that cooperation between the joint European market and the Gulf Cooperation Council does exist.

Regarding Oman's reservations towards some terms of the GCC economic agreement, like other agreements, it will face some obstacles at the practical level. The obstacles that have appeared pertain to the economic situation in Oman. Efforts to improve economy in Oman began when Sultan Qabus Al Bu Sa'id assumed power in 1970, Al-Ghazali said.

The first five years of Sultan Qabus' rule were focused on prioritising and planning. The resulting decisions were implemented within the first five-year plan starting 1975, Al-Ghazali pointed out.

Some GCC countries have had industries since the 30's and therefore the Gulf markets had developed at a different pace, the Omani minister said.

Incentives to industry in other Gulf countries affects Oman, because Oman does not grant them in the same way. "Therefore the sultanate is against industrialisation based on incentives," he said. "Oman's policy is based on granting assistance but at the same time it should not paralyze the citizen or the establishment," Al-Ghazali added. He asked why planning was not introduced right from the beginning.

Regarding the unified customs tariff among the AGCC states, Mr Al-Ghazali said that his country adhered to the four percent tariff agreed upon by the AGCC economic and finance ministers.

Mr Al-Ghazali said that the development plan in the Sultanate of Oman for the next 20 years is based on the setting up of light industries to fulfill the needs of Omani citizens.

He added that the concerned authorities are studying recommendations from various international consultants.

Al-Ghazali affirmed that the statistics showed that the products of other GCC are being marketed in Oman and most of the time compete with Omani industries.

He said Oman's economy was not affected by the reduction in oil prices, adding that "all our plans are flexible and take such problems and obstacles into consideration." But he added since the oil price was related to the international situation, "Oman could not build its plans on something which is not in its hands."

The Omani commerce and industry minister said that the five-year plan for 1980-1985 did not take oil price reductions into account because such reductions were difficult to predict. "But reductions are very likely one day," he said.

Mr Al-Ghazali stressed that the industrial sector had played a leading role in the country's revenues, rising from 2.1 million Omani riyals in 1975 to 92.3 million in 1989. [As received]

He added that the agriculture and animal resources sector reached 57.1 million Omani riyals while fisheries at 31.9 and mining 7.2 million.

He added that the five-year plan is aimed at diversifying sources of revenue.

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CSO: 4400/40

PALESTINIAN AFFAIRS

YASIR 'ARAFAT DISCUSSES PLO-JORDAN RELATIONS, OTHER ISSUES

GF250804 Manama WAKH in Arabic 0715 GMT 25 Oct 85

[Text] Manama, 25 Oct (WAKH)--PLO Executive Committee Chairman Yasir 'Arafat has denied circulating reports on Jordan's closure of a number of PLO offices in Amman and its banning a number of PLO leaders from entering its territories.

In a statement published today in the Bahraini newspaper AKHBAR AL-KHALIJ he said: These reports are false. The Jordanian Government has not asked us to close any PLO offices in Amman. There are still many PLO offices functioning in the Jordanian arena, such as the national fund and affiliated offices Jordan, the chairmanship of the Palestine National Council, the culture department, the department of the occupied homeland, and the joint Palestinian-Jordanian committee.

On the reports pertaining to Jordanian and Egyptian contacts with 'Arafat to persuade him to attend the summit between Egyptian President Husni Mubarak and King Husayn of Jordan he said: This is another of the news agencies' lies about the PLO. He added: I learned about the meeting before it took place, but there was absolutely no plan for me to attend it

On the developments concerning Palestinian-Jordanian relations since the joint delegation meeting in Lodnon was canceled, Yasir 'Arafat stated that he did not know the British had set preconditions dealing with UN resolutions 242 and 338 and the right of Israel to live within secure and recognized borders. He added: Had this been true and [the conditions] agreed upon, since they were the same conditions set by the U.S. envoy Murphy, then why would we not meet with him? He went on to say that the Jordanian-Palestinian agreement mirrors recognition of all UN and UN Security Council resolutions which pertain to the Palestinian issue.

On his views of the future of the Palestinian action in light of the recent developments in the region, 'Arafat called for further firmness in confronting the U.S.-Israeli plots that attempt to eliminate the Palestinian element from the Middle East equation. He stated that it must be clear that no one and no power can eliminate the Palestinian element from the equation of the Middle East.

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CSO: 4400/40

PALESTINIAN AFFAIRS

PLO'S AL-HASAN COMMENTS ON RECENT EVENTS

PM241304 Turin LA STAMPA in Italian 22 Oct 85 p 5

[Interview with Fatah Central Committee member Khalid al-Hasan by Igor Man in Tunis; date not given]

[Excerpt] Tunis--[Man] 'Arafat said that somebody "is aiming at disaster." Could you, who know him well, explain what the PLO chairman meant?

[Al-Hasan] It used to be said that when America sneezed the world caught cold. Now we can say that when Israel sneezes Reagan catches cold. When General Haig gave the go-ahead for Israel's invasion of Lebanon he told Sharon: "OK, go ahead and destroy the Palestinians. But remember that unless you succeed you will be forced to negotiate with them sooner or later. Following Husayn's latest visit to Washington, when Reagan praised the 'Arafat-Husayn accord, virtually granting his approval for negotiations including the Palestinians, Israel realized that the "sooner or later" was no longer so far off. So it decided to carry out the raid on Tunis, obviously making it look like a retaliation. The fact is that Israel would even deal with the devil, but not with the Palestinians, that is, not with us. So it diabolizes us, so it apes Reagan: The result is the attempt to politically fragment the Middle East so as to exorcise the specter of the PLO. The Palestinians are dispersed throughout the Arab world; the aim is to drive them to desperation so as to render them violent and therefore untrustworthy. So this is the disaster in question. We must therefore strive not to lose our cool. We must resist until historical logic makes it clear once and for all that we are the key to peace.

[Man] The wealth of sympathy which you earned after the raid seems to have been tarnished by the rash "Achille Lauro" affair. You seem to be in serious difficulties and to be risking isolation.

[Al-Hasan] There has been a great outcry, and not without just cause. But when the wind of truth has blown away the dust it will be seen that 'Arafat acted courageously and honestly to save innocent lives. The Abu al-'Abbas case is a fabrication: He only acted as a mediator. This has been proven.

[Man] This may be as you say, but I have the impression that this is the most serious crisis ever experienced by the PLO. You had the Black September, Lebanon, but then you were the victims; now, however, you are being accused or suspected of terrorism. This is why I say that this is perhaps the most difficult moment in your troubled history.

[Al-Hasan] I do not believe it is the most serious crisis and it will certainly not be the last. The fact is, as Shamir said in New York, for that matter, that Israel wants to undermine the Husayn-'Arafat accord. Israel wants to negotiate with Husayn alone.

[Man] What if Husayn--who has apparently met with Peres--were suddenly to give way?

[Al-Hasan] Let us start by saying that Husayn is truly his own master, able to meet with whoever he wants, especially when his aim is peace. Be that as it may, the important thing is what Husayn told me only a few days ago, namely: Without the Palestinians, the Jordanian machine cannot carry on; and without Jordan the ship "occupied territories" cannot get afloat again. In other words, the PLO and Jordan are complementary. Israel will certainly try again to seek some quisling on the West Bank and try to portray him as a real Palestinian. It has tried this in the past. It has not succeeded, and will never succeed. You see, we are without a land and are vulnerable; we lack the vast military might of the Tel Aviv-Washington axis, but we do have one very great strength--the support of the Arab masses. All the Arab peoples (let us leave the governments aside) are with us, with 'Arafat, with the PLO. And do you know why? Because we are fighting for a just cause.

[Man] What specifically do you intend to do to extricate yourselves from your present straits?

[Al-Hasan] Together with the Jordanians, we must knock on every door. Throughout the world. Irrespective of what has happened, is happening, or may happen.

[Man] Does that mean that you have set your sights entirely on negotiations and have rejected terrorism?

[Al-Hasan] Listen, we are not a mafia or amateurs. We have always condemned terrorism and when anyone has adopted the wrong approach we have acted to stop him. We have even sentenced to death people who spread terror just to besmirch the PLO and 'Arafat (a clear reference to Abu Nidal--LA STAMPA editor's note). Of course, there are desperate people who confuse irredentism with terrorism, but bear in mind that 'Arafat is the political leader of the PLO. He is not the guardian of all those--whether Palestinian or not--who cite our people's cause. And bear in mind also that unless an entire people's rights are granted, the acts of folly--for that is how I define them--acts of folly involving innocent people will inevitably increase. Violence breeds violence: This dangerous trend must be defused. This is why I say that we must not tire of knocking on every door. The day of justice will come.

[Man] The usual question, Mr Al-Hasan: Why have you always refused to recognize Israel? Because of a lack of political courage?

[Al-Hasan] What do the Americans tell us? Recognize Israel, then you can talk with us. No guarantees. It is as if they had told some fellow down on his luck: Give me your house, then I'll see about paying you for it. The recognition of Israel could be the conclusion of a negotiation, not the introduction, or, worse, the chief precondition. Moreover, recognizing Israel at a time when, in violation of UN resolutions, it is occupying the Palestinian land dearest to us, namely, the West Bank and Gaza, would be tantamount to accepting that fait accompli. We have accepted the FEs Plan (point seven of which implies recognition of Israel--LA STAMPA editor's note), we accept reality, we can and must coexist, but do not try to impose diktats on us. We are and want to be reasonable and practical for our people's sake, for everyone's peace, but please do not take things too far. That would mean throwing us into the abyss of violence. George Washington said that you cannot gamble with the peoples' lives. It is a dangerous game even for a seasoned horse breaker from Hollywood.

[Man] Why does Syria oppose you and fight you as much as and maybe more than Israel?

[Al-Hasan] That question must be put to the White House.

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CSO: 4400/40

PALESTINIAN AFFAIRS

PARIS PAPER VIEWS PLO POSITION IN TUNISIA

PM051153 Paris LE MONDE in French 3-4 Nov 85 p 6

[Francoise Chipaux dispatch: "The Palestinians' Great Discretion"]

[Text] Tunis--One month after the Israeli raid of 1 October, in which 60 people were killed and the main buildings which housed the PLO offices in Tunisia were destroyed, the Palestinians have been installed once again in makeshift fashion in the houses spared by the bombs. The Tunisian national guards, several of whom were killed, have resumed their surveillance even inside the buildings in which armed Palestinians no longer walk around.

Following the bombing raid and then the hijacking of the "Achille Lauro," the Palestinians are keeping as low a profile as possible, although nobody here is officially questioning the PLO's political presence. It is no secret to anybody that it took a great deal of diplomacy to appease President Bourguiba's anger with the Palestinians, who are additionally "responsible" for the American "betrayal" of him.

The Tunisian people's solidarity with the Palestinian cause and the concern for Tunisian sovereignty prevents the government from envisaging the PLO's departure in the near future, since that would be a victory for Israel. In this connection, Washington's effort to secure the possible extradition of Abu al-'Abbas was given a cool reception.

"We did not ask the United States to extradite [Israeli Prime Minister] Shim'on Peres after the raid on Hammam-Lif," the Tunisian foreign minister told us. "If Abu al-'Abbas returns, we shall see. But it is not the Americans who will decide." "In any case," Mr Es-Sebsi told us, "nobody has yet given us proof that the terrorist actions in Larnaca or against the 'Achille Lauro' were launched from Tunis. The Americans never warned us that the Palestinians installed here were indulging in terrorist activities." Mr Es-Sebsi admitted, however, that recent events will make the Tunisians more cautious and more vigilant toward the Palestinians or their friends. "We reminded them of their pledge only to engage in political activities in Tunis."

Prime Minister Mzali said for his part: "In effect there are no Palestinians here actively engaged in operations. It was 'Arafat's enemies who hijacked the 'Achille Lauro.' 'Arafat wants peace."

In an elegant house in the new district of El Menza, which does not stand out from the others despite the presence of a guard, Abu Ja'far, PLO director of political affairs, was confident. "There has been no change in attitude toward us," he told us. "Tunisia is doing as much as it can, but it does not have the capability to face this kind of raid. In addition, in view of its alliances, it is in a tricky position." Does this mean that, even before the raid, the decision to transfer some PLO offices to Baghdad had been taken? Probably. Some people say, in any case, that more people have been leaving since 1 October.

However, the PLO's political staff does not intend to leave Tunis, although Mr 'Arafat officially announced the invitation he had received from Baghdad and Cairo. "Where aside from Tunis," a diplomat pointed out, "could Yasir 'Arafat receive two Israelis," referring to the PLO leader's meeting with members of the Knesset at the beginning of this year. Indeed from the political viewpoint the PLO enjoys complete freedom in Tunis, and that would be difficult to imagine in any other Arab country.

The People's Dream

Abu al-'Abbas' aides are visibly worried. "It would be risky for Abu al-'Abbas to return here," one of them told us, "because he would not enjoy any protection. The Tunisian Government wants a reduction in the number of Palestinians and the departure of all those who have relations with our military bodies."

The Palestine Liberation Front [PLF] agrees that Tunisia cannot usefully be used as a base in the struggle against Israel, but it deplores the fact that the PLO no longer has anywhere to where it is free to take military action.

"The Arabs," one of the members said, "do not really support the PLO, which they regard as a source of trouble. The PLO must now defend itself, and logic pushes us toward terrorism, even if we do not plan to move in that direction. Abu 'Ammar (Yasir 'Arafat) is in a blind alley. He intends to try to preserve the Amman agreement, whereas Jordan is exerting pressure on us to prevent us from carrying out operations inside the occupied territories.

The Fatah leaders' main concern, however, is to overcome as quickly as possible the disastrous effects of the "Achille Lauro" hijacking. "This operation was very negative for us," Abu Ja'far admitted, "and there are many areas of confusion which the inquiry will have to clear up."

The accusations made by Yasir 'Arafat against an Arab country, which he did not name, are undoubtedly directed at Damascus. While refusing to point the finger openly at Syria, the Palestinians--and they are not alone in this--point out that there are still many questions about the events on board the

Italian ship. In particular, some people point out, why did the hijackers head for the Syrian port of Tartus, and why did they choose precisely that spot to throw Mr Klinghoffer's body overboard?

Moreover, they say, how can you explain the speed with which the Syrians found the body, which was thrown overboard outside territorial waters, and returned it to the Americans, which won them Mr Reagan's gratitude once again?

Pending the conclusions of the Italian inquiry, Abu Ja'far also explained that the PLO agreed to the hijackers being tried in Italy or Egypt. "It is these countries which have suggested to us that they should try them," he said. Abu Ja'far remained cautious about Abu al-'Abbas' possible responsibility: "I do not think he had relations with the hijackers," he told us, adding that "it was natural that he should know them, because the PLF, which is now divided into three factions, was never a big organizations, and Abu al-'Abbas could know all its members. Moreover that is why Yasir 'Arafat asked him to go to Port Said and negotiate the hijackers' surrender."

While waiting for tensions to ease, the Palestinians in Tunisia are aware that once again their mere presence has brought Israeli bombs down on a friendly country whose solidarity has certainly not been denied. As a Palestinian official said: "We are the dream of the Arab peoples and the curse of regimes which in fact only want to condemn us to oblivion."

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CSO: 4400/40

UNITED ARAB EMIRATES

TURKISH TRADE DELEGATION VISITS

Dubayy KHALEEJ TIMES in English 5 Nov 85 p 17

[Text]

TURKEY plans to develop its trade with the Arab and the Muslim world. Turkish Prime Minister Turgut Ozal is reported to be launching a new scheme to develop the country's trade with the Third World countries.

The president of the Turkish Chamber of Commerce will be a prominent member of the delegation that is to accompany the President General Kenan Evren who is to visit the UAE in the near future.

This was stated by Ozer Olcmen, vice-president of Contractors of Turkey Construction and a member of the trade delegation now visiting the UAE, yesterday.

Earlier, the vice-president of the Turkish Union of Chambers of Commerce and Industry Turgut Tokus said his

country was executing contracts worth \$16 billion outside Turkey. He pointed out that about 200 Turkish companies were working on development projects abroad.

Turkish officials, speaking at a meeting of the traders of Abu Dhabi and Turkey, said most Turkish companies were employed in Libya. Many are also working on major Saudi projects, they said.

Earlier, Al Haj Abdullah Al Mohairbi, vice-president of the Abu Dhabi Chamber of Commerce and Industry, addressing the delegation said that the volume of Turkey's trade with Abu Dhabi had declined last year from the previous year. He said in 1984, imports from Turkey were worth Dh128 million compared to Dh169 million in 1983.

The chamber official said both sides should discuss ways to improve figures,

since the UAE considered Turkey to be one of its major trading partners in future. The total imports from Turkey, said the official, formed only two per cent of its imports from non-Arab Asian countries. He said both countries have great scope to develop trade.

Turkish officials said there were three ways in which the UAE-Turkish trade relations could be developed. One, both countries could cooperate in development projects within the UAE. Two, both countries could take up joint ventures in other developing countries and three, UAE could invest in industrial projects in Turkey.

They said Turkey had two main assets—the technical expertise and skilled manpower. One official said according to a report prepared by the Saudi Ministry of Interior, the crime rate among the Turkish labour in the Kingdom was the lowest for the expatriate labour.

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CSO: 4400/42

UNITED ARAB EMIRATES

TURKEY TO INCREASE TRADE WITH UAE

Dubayy KHALEEJ TIMES in English 7 Nov 85 p 21

[Text] THE Turkish and Dubai chambers of commerce yesterday agreed to set up a joint cooperation committee to improve economic ties between the two sides.

Among the key issues to be looked into by the joint panel will be the proposal for a Turkish trade centre in Dubai which has been hanging fire for over two years. Other areas of cooperation include, banking, commerce, industry, tourism and transport.

This was decided yesterday at a meeting which Dubai businessmen and chamber of commerce officials had with their Turkish counterparts. The meeting was part of the efforts being undertaken by a Turkish trade delegation now in the UAE to promote trade between the two countries.

The president of the Dubai Chamber, Saeed Juma Al Naboodah, told the delegation that trade between Dubai and Turkey had fluctuated in recent years.

From just Dh572,284 worth of Turkish exports to Dubai in 1980, the figure had gone up to Dh57.5 million in 1983, but there was a slump last year which brought down Turkish exports to the emirate by nearly two thirds to Dh19.6 million.

The record for the first half of this year has, however, been impressive with exports rising to Dh32.7 million, an increase of nearly 70 per cent over the figure for the whole of 1984. "Although these results are encouraging, they are far behind our ambitions."

Mr Naboodah recalled recent exchange of visits between the two countries at various levels and referred to an economic and technical cooperation agreement between Turkey and the UAE. "At all our meetings we indicated

the importance of setting up a Turkish trade centre in Dubai to look after Turkish business interests and provide an easy channel of contact for the business community."

Turgut Tokus, vice-president of the Turkish Union of Chambers of Commerce, recalled the visit of a trade mission from Dubai to Turkey around this time last year.

He called for efforts to bring together Turkish technology and manpower and UAE's capital and identified food processing, animal husbandry, irrigation, poultry farming, tourism and contracting as areas in which there could be joint ventures.

"With the realisation of joint projects, it is possible to meet the requirements of both our countries and the needs of third countries as well."

Mr Tokus said truck drivers bringing goods from Turkey to the Gulf were facing major hurdles on account of strict visa formalities and sought the development of sea links as a way out of this problem.

Members of the Turkish mission also suggested that the proposed joint committee should study the scope of a joint shipping company to ease the transport problem.

Mr Tokus said his country's imports from the UAE during the first eight months of 1985 amounted to \$1.5 million while Turkish exports to the UAE in the same period were worth \$102 million.

Turkish ambassador to the UAE Taner Baytok also attended the meeting.

Referring to bilateral cooperation in banking, Abdulaziz Al Ghurair, board member of the chamber said Bank of Oman, of which he is executive director, had recently opened a representative office in Turkey to help trade promotion and other business activities.

YEMEN ARAB REPUBLIC

NATIONAL DAY CELEBRATIONS HONOR EGYPT, 'ABD-AL-NASIR

London AL-TADAMUN in Arabic 5 - 11 Oct 85 pp 20-22

[Article by Bakr 'Uwaydah: "On Its 23d Anniversary, Yemeni Revolution Enters Oil-producing Phase and Honors Leader of 23 July Revolution"]

[Text] Many significant indications marked this year's celebrations of the revolution in Yemen. The Yemenis tend to explain these indications in a manner which is in keeping with their love of simplicity. But in the opinion of more than one observer who witnessed them up close, they rise to the level of important transformations in the lives of peoples and in the march of countries. One outstanding indication is that with the onset of the 24th year of the revolution, Yemen is entering the oil-producing phase. Another indication is that Yemen appears to enjoy military power and political stability. A third indication is that Jamal 'Abd-al-Nasir was the principal guest of honor at this year's celebrations and that the tribute paid to Egypt and to its role toward Yemen went beyond the traditional format followed in previous years, assuming a strikingly special and personal character.

Bakr 'Uwaydah reported from Yemen on these indications and on what Yemenis had to say about them in their social gatherings.

A few months ago, during the conference of the Islamic countries' foreign ministers in Sanaa, Egyptian foreign minister Dr 'Ismat 'Abd-al-Majid, who was visiting Yemen for the first time in a long time, was invited to a free side tour of some areas surrounding the Yemeni capital. On this tour, the Egyptian minister was escorted by a Yemeni official, Dr 'Abdallah al-Nahmi, who is director general of the telecommunications organization. It happened that the Egyptian minister and his Yemeni host stopped in a small village northwest of Sanaa called al-Qabil where one of the institution's communications station is located. When the Egyptian minister asked his Yemeni host about the availability of telephones in Yemeni homes, the Yemeni official replied that telephones were found in almost every home. The Egyptian minister asked if that were true of that small village as well, and the Yemeni official answered in the affirmative. Dr. 'Ismat 'Abd-al-Majid then asked if the telephone service were strictly local and 'Abdallah al-Nahmi said that it was both local and international. The Egyptian minister again asked if he could call his home in Cairo and the Yemeni official's reply was to ask Dr. 'Abd-al-Majid to give him his Cairo telephone number.

A few moments later, the Egyptian foreign minister was on the phone talking to his family in Cairo, telling them, with some surprise and much delight--- according to the one who told this story--that he was not talking to them from the presidential palace in Sanaa nor from a luxury hotel, but rather from a small village located outside the Yemeni capital.

This incident carries meanings significant to those who experienced in Yemen the celebrations of the 23rd anniversary of the 26 September revolution which has transformed this country from the abyss of backwardness to its present heights. Anyone who visited Yemen this week must have sensed at first hand the special and personal aura of the revolution's anniversary this year on more than one level, the most impressive and inspiring of which perhaps were the following:

1. It was the day on which Yemen distinctly declared that oil would be a source on the income which would contribute to the construction and development process.
2. It was the day on which Yemen was proclaimed a country of economic, military and political might. This might is derived from the government's active and effective presence; from the personal and special relationship between the government and the people; and from the affirmation of the revolution's recognition of its first leaders who ruled Yemen during the early years of the republic.
3. It was a day for Egypt and for Jamal 'Abd-al-Nasir, whose death on 28 September coincides every year with the celebrations of the revolution in Yemen on 26 September.

Yemen, an Oil-producing Country

In a speech he delivered on Wednesday, 25 September 1985, President 'Ali 'Abdallah Salih declared distinctly, but indirectly, that Yemen was an oil-producing country. The Yemeni president has chosen the development battlefield as a door through which oil can enter the lives of the Yemenis. He promised them prosperity through the country's prosperity and not through oil, which can only line their pockets. After telling them about achievements in the field of oil drilling and informing them that oil exploration was imminent, by saying "the project for laying pipelines from the Ma'rab-al-Jawf Basin to our ports on the Red Sea coast will get underway soon," he announced to them very clearly that "with this accomplishment, our country will embark on a new era of complete development for the sake of achieving growth and prosperity for the country and the people."

The president summarized the achievements in the field of oil drilling and production as follows:

1. Yemen has made encouraging headway in the field of oil drilling.

2. Yemen has concluded a number of agreements with specialized international firms to participate in oil drilling and production
3. As part of this year's celebrations, the cornerstone was laid for the oil refinery which will meet a major part of Yemen's oil needs.
4. Explorations indicated that the Ma'rib-al-Jawf Basin is composed of several oil fields, one of which, field No 1, has a reserve of about 300 million barrels of crude oil.
5. It has been established as well that natural gas is available in large, economically exploitable quantities.

Capable Leadership

Noting that the Yemenis do not like to talk about themselves and are not inclined to raise many unnecessary details, one can deduce from what President 'Ali 'Abdallah Salih said in his speech that Yemen is in fact an oil-producing country.

Hence, the Yemenis seemed to be more devoted to their president after they heard what he had to say about oil and development. The people whom AL-TADAMUN interviewed said that all Yemenis had known for a number of years that their land was overflowing with oil and minerals and that they had been waiting for a leadership capable of realizing internal stability which could propel Yemen into a stage of prosperity and beneficence from its natural resources. 'Ali 'Abdallah Salih has proven that he enjoys the attributes of the kind of leadership that Yemen and the Yemenis need.

Loyalty and Stability

In their social gatherings, non-official Yemenis talk with their guests, and indeed among themselves, about the indications of stability which have marked 'Ali 'Abdallah Salih's regime. One indication is the understanding reached with political leaders who used to raise the banner of opposition and some of whom, at some point, actually resorted to the language of arms. Such an understanding enabled these currents to exercise their political role openly and visibly. The Yemenis talk about this whole matter with pride and regard it as a sign of true stability. They add that they consider President 'Ali 'Abdallah Salih as a model of loyalty, for he was the one who 3 years ago invited former Yemeni presidents and the revolution's first leaders living abroad to return to their homeland to live among their own people. The Yemenis could see the first president of the republic, Field Marshall 'Abdallah al-Sallah, and former president al-Qadi 'Abd'al-Rahman al-Iryani, sitting next to President 'Ali 'Abdallah Salih on several occasions. The most recent--witnessed by AL-TADAMUN--were this year's celebrations, attended by Mr Ahmad Na'man as well, during which Gen Hasan al-'Umari was honored by being awarded the 70 Medal (named after the Sanaa blockade which lasted 70 days, from the end of

November to the beginning of February 1968, and culminated in a decisive victory for the revolution after it appeared then that the withdrawal of Egyptian forces from Yemen presented an opportunity for the anti-republican regime forces to storm the revolution and restore the imam's power).

Why the Parade?

Moreover, the revolution's anniversary this year seemed to be the anniversary of the militarily and politically mighty Yemen. The political might was represented by the signs of internal stability which we had previously noted, coupled with a heavy popular turnout at this year's celebrations from the various provinces. Traffic officer Maj Yahya Muhammad told AL-TADAMUN that, in his many years as a traffic officer, he had never seen such crowds converging on the capital of San'a' to take part in the celebrations and that traffic officers had never worked so hard as they did this year to control traffic during the celebrations.

The Yemenis, in their social gatherings, explain the special celebrations this year simply as a sign of the people's confidence and peace of mind. Observers, including AL-TADAMUN, who saw al-Kasarah Mountain slope, located at a bend on the Hiddah road and overlooking the military parade square, turn into a slope studded with people, realized the significance of the Yemenis' feeling of security and stability and of the kind of hopes they hold for the present and the future.

As for the military might which marked this year's celebrations, it was reflected by the military parade. One thing must be noted here: the military parade occurred despite the decision to have a military parade only once every 5 years. The last parade was 2 years ago. The departure from this decision is attributed to the coincidence that the anniversary this year fell on a Thursday, the same day on which the revolution broke out in 1962. This coincidence is the first in the revolution's 23 years. Arab and foreign diplomats in San'a', however, besides their acceptance of the coincidence theory, wanted to give the decision to organize a military parade another dimension, that is, for the parade to convey an important message proclaiming Yemen an economically capable state due to its oil requires a proclamation of its military might by parading symbols of its military machine which protects its capabilities and resources and its decisions as well.

Those who followed the military parade up close, as AL-TADAMUN did, were able to notice the enormity of the military machine Yemen possesses today and, therefore, had to accept the explanation of the happy coincidence the Yemenis are talking about with their customary modesty without discounting the interpretations of Arab and foreign diplomats.

Loyalty to Egypt and Jamal 'Abd-al-Nasir

Talk about the special tribute paid to Egypt during this year's celebrations and about the special recognition of Jamal 'Abd-al-Nasir's role must begin with the following anecdote.

Mr. Hanafi was unable to hold back the silent tears coming down his face while watching the military parade on TV. These tears of Mr Hanafi (a 45-year-old Egyptian worker), which he told me about when I met him in front of the post office at Tahrir Square in San'a', were an emotional and enthusiastic reaction to the comments on the military parade, comments that reflected a high degree of loyalty to Egypt and the Egyptian people and troops who stood by the side of the Yemenis in support of their revolution. Once again tears came to Mr Hanafi's eyes when he told me: "May God have mercy on 'Abd-al-Nasir's soul and may He bless the Yemenis who honored him on this day, thus honoring Egypt as a whole."

The sentiments of this simple Egyptian worker can be those of any Egyptian living in Yemen. It can be assumed that this applies as well to most Arabs living here. AL-TADAMUN talked with some of these people and listened to their unanimous opinion that this year's celebrations were marked by a kind of special recognition of Egypt in the person of the late Jamal 'Abd-al-Nasir and of Egypt's troops who died alongside of the Yemenis in what has come to be known in contemporary Arab history as the "Yemen War."

'Abd-al-Hakim, Murtaja and the Sons of Martyrs

At a gathering AL-TADAMUN attended by invitation of Dr 'Abd-al-'Aziz al-Maqalih, the well-known writer, president of San'a' University and a presidential advisor, and attended as well by 'Abd-al-Hakim Jamal 'Abd-al-Nasir, the son of the late Arab leader wanted to talk about the effect this tribute had on him on the basis that it was more of a tribute to Egypt, to the Egyptian people and to Egypt's Arab role than to the person of Jamal 'Abd-al-Nasir. He said that the most important impression he formed was that Yemen's achievements have given confidence and reassurance that the sacrifices the Yemenis and Egyptians made were not in vain.

The invitation to 'Abd-al-Nasir, the second oldest son to attend the celebrations of the 23rd anniversary of the revolution, was not the only gesture of recognition of Egypt's role in Yemen. The celebrations were also attended by Gen 'Abd-al-Muhsin Murtaja and Lt Gen Anwar 'Abd-al-Wahhab al-Qadi, who commanded the Egyptian army in Yemen. Last Saturday, 28 September 1985, an airplane carrying special and distinguished visitors to Yemen landed at San'a' airport. These visitors were a group of sons of Egyptian officers and enlisted men who died in Yemen and whose remains rest in a downtown cemetery in San'a'. They number about 30,000 individuals.

Highest Medal for 'Abd-al-Nasir

Although it is an annual custom for the Yemeni president to visit the cemetery of Yemeni and Egyptian martyrs, and although it is a custom as well to include in the president's speech a salute to the martyrs of Yemen and Egypt, the special tribute this year departed from the norm by being more visible and distinct. After 33 years of revolution and 8 years into President 'Ali 'Abdallah Salih's regime (he assumed power on 17 July 1978), Presidential

Decree No 9 of 1985 was issued on the morning of the revolution's anniversary. This decree is made up of two articles, one of which stipulates that the late president Jamal 'Abd-al-Nasir shall be awarded the Order of the Republic, the highest government medal, in appreciation of his great role in supporting the glorious 26 September revolution and in recognition of his prominent role in supporting the causes of our Arab nation, as well as his fundamental position in support of liberation causes throughout the world.

This decree was followed by Decree No 10 awarding Gen 'Abd-al-Muhsin Kamil Murtaja and Lt Gen Anwar 'Abd-al-Wahhab al-Qadi the 21 September Military Order, First Degree, "in recognition of the Egyptian people's positive role in supporting the revolution and in appreciation of their contribution to national action and to the defense of the revolution."

As for Presidential Decree No 11 of 1985, it awarded medals to some of the Egyptian officers who died in Yemen. They were: Maj Gen Ahmad Muhammad 'Umar al-Masiri, Maj Isma'il Mahmud Ahmad al-Fanjari, Maj Nabil Bakr 'Ali Hasan al-Waffad and Capt 'Abd-al-Mun'im 'Ali Hasan Sanad.

Why now, 23 years later, did Yemen pay such an outstanding tribute to Egypt and Jamal 'Abd-al-Nasir?

Once again unofficial Yemenis in the know reply that it is another indication of stability.

AL-TADAMUN asked if perhaps this was a necessary tribute at this time and was paid by Yemen as a sign of self-confidence.

And the Yemenis spontaneous reply was: "But of course, this is certainly the case."

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CSO: 4404/25

AFGHANISTAN

'TORTURE VICTIMS' OF SECRET POLICE INTERVIEWED BY REPORTER

Stockholm DAGENS NYHETER in Swedish 16 Oct 85 p 16

[Interview by Ingvar Oja]

[Text] Peshawar. "After a few days I was taken to the Ministry of the Interior in Kabul, where they immediately started torturing me with electroshocks and a finger squeezer. They forced my fingers into a small device and then turned a screw to squeeze my fingers together."

These were the words of Ahmed Gul, a 26-year-old low-ranking civil servant of the Lagman province. I met him at a guerrilla office in Peshawar, where he had come to recuperate from the guerrilla war inside Afghanistan.

Ahmed Gul is just one of many Afghans to report on tortures which have become part of the routine work of the KHAD, the secret police of Afghanistan, to get at the opponents of the regime and to frighten the reluctant population into subjugation.

"The torture is systematic, and everybody who is arrested by the KHAD is subjected to some kind of torture," says Rasul Amin, who has himself been held at the Sederat interrogation center in Kabul. Until his arrest, he was professor of political science at the University of Kabul. After his release he fled to Pakistan and is now the leader of a group of intellectuals who have joined in the Writers Union for Free Afghanistan, an Afghan association of writers.

Shaken

Several years after his torture in Sedarat, Rasul Amin is still noticeably shaken by his experiences. He shakes his head, stating more or less in astonishment:

"It was so brutal, so senseless."

And he reports the same story as Ahmed Gul and others who have been subjected to the torture. The constant fear, the uncertainty. The torturers might come and get them for interrogation at any time of the day or night. And when

they were not tortured themselves, they would constantly have to overhear the cruel interrogation of their fellow prisoners.

"That was almost the worst thing during my entire time at Sedarat," says Professor Amin. Hearing people cry and scream from pain day and night, and I knew, of course, that several of my former students were held at Sedarat at the same time as I."

Electroshock Torture

The reports by Ahmed Gul and Rasul Amin provide a picture of a secret police which routinely resorts to torture in its investigations of prisoners. Both have been tortured for prolonged periods of time, and both have, moreover, been tortured in various locations. Ahmed Gul was subjected to torture in the interrogation room of the Ministry of the Interior but also at Sedarat and Sheshdarak, the feared headquarters of the KHAD in the center of Kabul. Also Rasul Amin was tortured at Sheshdarak, and, like Ahmed Gul, he says that electroshock torture is the most commonly used method to make prisoners confess.

Both were tortured with "the telephone," among other things, a device both of them describe as a telephone-like small box with a handcrank. The telephone is provided with two wires, which are attached to the fingers of toes of the prisoner. Ahmed Gul had had the wires attached to his ears and his penis as well. After the wires have been securely attached to the prisoner, the leader of the interrogation turns the handcrank.

"The electroshocks were sometimes so powerful that I fell from the chair," says Ahmed Gul, who was also subjected to torture in the electric chair.

Ordinary Chair

Ahmed Gul describes the chair as an ordinary tubular steel chair. He was ordered to sit down in the chair and to take off his shoes and hold tightly on to the arms of the chair. He did not at all grasp why he had to do so, and that is the last thing he remembers. He never saw anybody touch the chair, nor press any button.

"I woke up in the cell, where my fellow prisoners told me that it was an electric chair, and that I had fainted from the powerful electroshocks," Ahmed Gul says.

Ahmed Gul was also to experience a milder form of electroshock torture with a rod filled with batteries which was pressed against his body, and he still carries small dark spots on the upper side of his hands from it.

Electroshock torture is the most commonly used method, but according to reports of former prisoners which I gathered in a week of interviews in Peshawar, there are also other methods, methods which sometimes are even more painful than electroshocks. Hitting and kicking prisoners are routine occurrences, as well

as beatings with cudgels. Many prisoners have been forced to stand on one leg and have been severely mistreated when putting the other foot on the ground. Others have been forced to stay awake day after day under constant interrogations. Women are subjected to physical assaults and are often threatened with reprisals against their children if they fail to admit to the charges made against them.

Children Removed From Their Homes

"During the interrogation in Sheshdarak, the leader of the interrogation showed me photos of my children, saying that the authorities had taken the children away from our home to place them in an orphanage," says Fahima Nasery, a teacher from Kabul who has been imprisoned by the KHAD on two occasions and who has been severely tortured. (In the following article, DAGENS NYHETER will publish a more detailed report on her experiences.)

Torture in Afghanistan is not any new phenomenon that has been introduced by the Soviet troops, torture has occurred throughout the times in Afghanistan. What is new is the extent of sophisticated methods.

"It is a question of Russian methods and Russian instruments of torture," says Rasul Amin, who, during his prolonged torture, also had occasion to take a closer look at the torture telephone which was used during his stay in the interrogation room at Sedarat.

East German Experts

Torture also occurred during the reign of the last monarch, but only after Muhammed Daoud's coup d'etat in 1973 did the security police start to expand and thus also introduce new methods of torture. A high-ranking diplomat who now lives in exile in Pakistan states that, after the coup d'etat, they also began to import implements of torture from the Soviet Union and Eastern Europe. And, according to him, a large group of East German experts are today working both within the Ministry of the Interior and the security police as advisers. Prior to the coup d'etat in 1975, a large section of the Afghan police force was trained by West German advisers, and most of the higher-ranking police officers received their further training in West Germany.

A former high-ranking police officer of the Ministry of the Interior who received his training in West Germany and who, some time ago, defected and fled via the mountains to Pakistan, stated that systematic tortures first started in the interrogation room of the Ministry of the Interior, and that there is still a "torture room" within the Ministry of the Interior, which, according to him, is today swarming with Soviet and Eastern European advisers. Several high-ranking police officers who after the Soviet invasion had worked for the KHAD have fled via Pakistan to West Germany.

Wanted to Take Revenge

"They dare not remain in Peshawar," says a former journalist with the Afghan Broadcasting Corporation. "There are far too many who will want to take revenge."

The said journalist has also been tortured in the torture room of the Ministry of the Interior, and, with a painful wealth of detail, he describes the appearance of the torture room with all its implements of torture and blood stains.

Methodical and systematic torture of prisoners occurs almost exclusively at the initial stages of their arrest, and once the prisoner has been sentenced--or when the leaders of the interrogations find that the prisoner has got nothing more to tell--he is sent to the prison for a short or long period of time. Most of those who are interrogated or seized in Kabul and vicinity end up in the enormous Pol-e-Charkhi prison. It is a town within the town, and, according to a reliable source, it holds approximately 12,000 to 15,000 prisoners, most of them political prisoners.

The cells are overcrowded and the sanitary conditions within the prison are so poor that many who have been confined within that prison regard it as extreme psychological torture.

"It is cramped and filthy, and there are far too few toilets," says a former prisoner of Pol-e-Charkhi. "There are constant queues in front of the toilets, and many relieve themselves in their cells, and the stench is sometimes unbearable."

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CSO: 3650/39

BHUTAN

INDIAN NEWSMEN INTERVIEW FOREIGN MINISTER

Calcutta THE SUNDAY STATESMAN in English 29 Sep 85 p 1

[Text] Thimpu, Sept 28--Barely a week before Mr Rajiv Gandhi's first visit to the "dragon kingdom" the Bhutanese National Assembly voted not to open its trade window with China. After a full day's discussion the Assembly members decided that it was not necessary to establish trade relations at present.

The Bhutanese Foreign Minister, Mr Lyonpo Dawa Tsering, told a group of visiting journalists from India here today that Bhutan had traditional trade links with China which were important to Bhutan's economy at that time. But the volume of trade was "very limited" and now Bhutan did not consider resumption of the trade necessary. Bhutan's resources needs could no longer be met by her traditional ally and aid-giver, India, which now subscribes about 65% of Bhutan's development requirements.

The Minister also underscored Bhutan's wariness of "aid with strings" and for that reason she was going to avoid seeking assistance from either of the two big powers, restricting her quest to the Nordic countries, the international agencies and the European Economic Community.

Bhutan was planning to step up its mission in Kuwait and also have its Ambassador in Geneva concurrently accredited to the Nordic countries and the European Economic Community.

On the political front, Mr Tsering candidly admitted differences in perceptions with India on some major international issues like Kampuchea or the Nuclear Non-Proliferation Treaty (which Bhutan has signed) but the Minister dismissed it as not quite a material factor in Bhutan's relations with India. He said Bhutan firmly believed that any nuclear proliferation would spell the world's doom and hence she had taken a principled stand. India, he maintained, was fully appreciative of the compulsions of Bhutan taking a different stand on these issues, recognizing among other things her status as a landlocked country.

Asked about Bhutan's ties with China, the Bhutanese Foreign Minister said that she had a 470-km common boundary with China and she had always maintained cordial relations with her. There had been two rounds of talks with China on border demarcation. Was Bhutan going to have diplomatic relations with Pakistan? (She now has such ties with India, Nepal, Bangladesh, the Maldives and Kuwait). The Minister said that Pakistan had not approached and Bhutan was not considering the subject at present.

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CSO: 4600/1072

INDIA

PAPERS REPORT CHANGES IN GOVERNMENT, CONGRESS-I

New Council of Ministers

Madras THE HINDU in English 26 Sep 85 p 1

[Text] New Delhi, Sept 25--Following is the list of the new Union Council of Ministers:

Mr Rajiv Gandhi, Prime Minister.

Ministries under the Prime Minister:

Defence

Ministers of State:

Mr Sukh Ram: Defence Production and Supplies.

Mr Arun Singh: Defence Research and Development Organisation.

Science and Technology:

Minister of State:

Mr Shivraj Patil: Science and Technology, Ocean Development, Atomic Energy and Electronics.

Personnel and Administrative Reforms:

Minister of State: Mr Shivraj Patil.

Planning:

Minister of State: Mr Ajit Panja.

Environment and Forests:

Minister of State: Mr Z.R. Ansari

Independent Ministries

Agriculture and Rural Development:

Cabinet Minister: Mr Buta Singh

Ministers of State: Mr Yogendra Makwana:

Agriculture

Mr Natwar Singh: Fertilizers

Mr Chandulal Chandrakar: Rural
Development.

Energy:

Cabinet Minister: Mr Vasant Sathe.

Minister of State: Mr Arif Mohammed
Khan: Power

External Affairs:

Cabinet Minister: Mr Baliram Bhagat.

Minister of State: Mr K.R. Narayanan.

Finance:

Cabinet Minister: Mr Viswanath Pratap Singh.

Minister of State: Mr Janardhana Poonary:
Banking and Insurance.

Health and Family Welfare:

Cabinet Minister: Mrs Mohsina Kidwai.

Deputy Minister: Mr S. Krishna Kumar:
Family Welfare.

Home Affairs:

Cabinet Minister: Mr S.B. Chavan.

Ministers of State:

Mr Arun Nehru: Internal Security including
Police, Rehabilitation and Law and Order.

Mr P.A. Sangma: States and Union
Territories including Centre-State relations,
inter-State relations, Union Territories,
official languages and census.

Human Resources Development:

Cabinet Minister: Mr P.V. Narasimha Rao

Ministers of State:

Mrs Sushila Rohatgi: Education and Culture.

Mrs Margaret Alva: Youth Affairs, Sports and Women.

Industry:

Cabinet Minister: Mr N.D. Tiwari

Ministers of State:

Mr R.K. Jaichandra Singh: Chemicals

Mr M. Arunachalam: Industries.

Law and Justice:

Cabinet Minister: Mr Ashoke Sen

Minister of State: Mr H.R. Bhardwaj

Parliamentary Affairs and Tourism:

Cabinet Minister: Mr H.K.L. Bhagat

Ministers of State:

Mr Ghulam Nabi Azad: Lok Sabha

Mr Sitaram Kesari: Rajya Sabha.

Programme Implementation:

Cabinet Minister: Mr A.B.A. Ghani Khan
Chowdhary

Steel and Mines:

Cabinet Minister: Mr K.C. Pant

Minister of State: Mr Ram Dulari
Sinha: Mines.

Transport:

Cabinet Minister: Mr Bansi Lal

Ministers of State:

Mr Madhavrao Scindia: Railways

Mr Rajesh Pilot: Surface Transport

Mr Jagdish Tytler: Civil Aviation.

Urban Development:

Cabinet Minister: Mr Abdul Gafoor
Minister of State: Mr Dalbir Singh.

Water Resources:

Cabinet Minister: Mr B. Shankaranand.

Information and Broadcasting:

Minister of State (independent charge):
Mr V.N. Gadgil.

Commerce:

Minister of State (independent charge):
Mr Khurshed Alam Khan.
Deputy Minister: Mr P. Chidambaram.

Communications:

Minister of State (independent charge):
Mr Ram Niwas Mirdha.

Food and Civil Supplies:

Minister of State (independent charge):
Mr K.P. Singh Deo.

Labour:

Minister of State (independent charge):
Mr T. Anjiah.

Petroleum:

Minster of State (independent charge):
Mr Nawal Kishore Sharma.

Welfare:

Minister of State (independent charge):
Mrs Rajendra Kumari Bajpai.
Deputy Minister: Mr Girdhar Gomango.

Changes in Secretariat

Madras THE HINDU in English 26 Sep 85 p 1

[Article by G.K. Reddy]

[Text] New Delhi, Sept 25--About a dozen Secretaries to the Union Government have been either shifted or redesignated following the creation of five new Ministries and regrouping of several departments in the course of the Cabinet reshuffle effected today.

The most important of these changes is the appointment of Mrs Serla Grewal, who is at present Secretary in the Ministry of Health, as Secretary to the Prime Minister, a post which has remained vacant since Dr P.C. Alexander's resignation.

The Home Secretary, Mr R.D. Pradhan, has been redesignated as Secretary of the Departments of Internal Security, States and Home in the Ministry of Home Affairs, which has been reorganised into four departments.

The Adviser to the Punjab Governor, Mr S.S. Dhanoa, will succeed Mrs Serla Grewal as Secretary of the Ministry of Health and Family Welfare.

Dr D.V. Kapur, Secretary of the Department of Heavy Industry will take over as Secretary of the newly-created Department of Chemicals and Petrochemicals in the same Ministry of Industry, while Mr Harbans Singh, Secretary of the Bureau of Public Enterprises will become Secretary of the new Department of Public Enterprises.

The Secretary in the Ministry of Chemicals and Fertilizers, Mr B.B. Singh, has been designated Secretary of the new Department of Fertilizers in the Ministry of Agriculture and Rural Development.

The Secretary of the Department of Statistics, Mr K.N. Singh, will also be Secretary of the new Department of Tourism. Mrs Rome Majumdar, Secretary of Social and Women's Welfare will now be Secretary of the newly-created Department of Women's Welfare.

The Secretary of the Department of Welfare, Mr J.A. Kalyanakrishnan, will be Secretary of the new Ministry of Welfare which will be looking after all welfare programmes, especially those concerning the Scheduled Castes and Scheduled Tribes, besides other weaker sections.

Mr S. Ramanathan, Secretary of Coordination in the Cabinet Secretariat will be the Secretary of the new Ministry of Programme implementation while Mr T.N. Seshan, now Secretary of the Department of Forests and Wildlife, will be Secretary of the combined Department of Environment, Forests and Wildlife.

Concurrent Party Changes

Madras THE HINDU in English 26 Sep 85 p 1

[Text] New Delhi, Sept 25--Along with the changes in the Cabinet, the Prime Minister, Mr Rajiv Gandhi, today reorganised the AICC (I) set up in his capacity as the Congress (I) President.

He inducted five new general secretaries--Mrs Maragatham Chandrasekhar (who earlier resigned as Minister of State), Mr Tarun Gogoi, Mr Ahmed Patel, Mr Oscar Fernandes and Mr Jitendra Prasad. In addition, Mr G.K. Moopanar, Mr A.K. Antony and Mr R.L Bhatia will continue in their posts.

Mr Moopanar: administration, parliamentary board, organisation, trusts, working committee, AICC and plenary session and seva dal.

Mrs Chandrasekhar: Haryana, Himachal Pradesh, Delhi, Punjab, Chandigarh, Orissa, Kerala and Lakshadweep.

Mr Antony: West Bengal, Andaman and Nicobar Islands, Karnata and eight States of the North-East.

Mr Bhatia: Mdhya Pradesh, Rajasthan, Gujarat, Dadra and Nagar Haveli and Goa.

Mr Tarun Gogoi: U.P. and Bihar.

Mr Fernandez: Andhra Pradesh, Tamil Nadu, Pondicherry, Maharashtra and Jammu and Kashmir.

Mr Patel: National Students Union, Indian Youth Congress, Mahila Congress.

Mr Jitendra Prasad: Publicity and publications.

Profiles of New Ministers

Bombay THE TIMES OF INDIA in English 26 Sep 85 p 9

[Text] New Delhi, September 25 (UNI)--The following are the brief profiles of new ministers in the Union council of ministers:

Mr N.D. Tiwari: The new minister of industry, Mr Tiwari is returning to the Union cabinet after more than a year.

A member of the Uttar Pradesh assembly for long, he first became the chief minister in January 1976, and continued till April 1977.

When Mrs Indira Gandhi returned to power in 1980, Mr Tiwari was brought to Delhi to head the planning ministry. He was the industry minister in early 1984 when he sent back to head the state after the assembly elections.

Mr Baliram Bhagat: The country's new external affairs minister brings to his post several years of experience as a minister.

From deputy finance minister in 1956, Mr Bhagat rose to the cabinet rank in 1969 when he was appointed minister of foreign trade and supply. He was minister for steel and heavy engineering at the time he left the Central cabinet in 1971. Earlier, he was minister of state in the ministries of defence, external affairs and planning.

The important delegations Mr Bhagat stewarded include the ones to the U.N. General Assembly, the UNCTAD conference in New Delhi and the Colombo plan conference. He was acting leader of India's delegation to the Commonwealth Prime Minister's Conference in 1969.

Mr A.B.A. Ghani Khan Choudhary: Who will head the newly created ministry for programme implementation was a prominent figure in West Bengal politics before entering the Lok Sabha in 1980.

He was minister for energy and irrigation before becoming minister for railways.

In 1971 he was inducted into the state council of ministers as the minister for irrigation and later as minister for irrigation and power.

Mr S. Krishna Kumar, deputy minister for health and family welfare had resigned from IAS and entered politics. He was elected to the Lok Sabha from Quilon in Kerala.

A former chairman of the Hindustan Latex Ltd, Mr Kumar came into limelight with the record number of sterilisations conducted in the family planning camps organised by him while he was the district collector of Ernakulam.

Mr P. Chidambaram, the new deputy minister of commerce entered the Lok Sabha in 1984, winning the Sivaganga seat from Tamil Nadu.

He practised as an advocate in the Madras high court and the Supreme Court before entering politics last year.

Mr Giridhar Gomango, the third deputy minister, was deputy minister for supply and rehabilitation during January 15, 1982 and January 29, 1983. He won election to the Lok Sabha from the Koraput constituency in Orissa.

Mrs Rajendra Kumari Bajpai was an active figure in Uttar Pradesh politics and a member of the state assembly between 1962 and 1977. She entered the Lok Sabha in 1980 and was a member of several parliamentary committees. She has been general secretary of the Congress for sometime now.

Mrs Bajpai, who will hold independent charge of the welfare portfolio as the new minister of state has been associated with several social welfare activities. She worked in labour unions and for communal harmony through

the Sampradayikta Virodhi Samity, co-founded two women's education institutes in Allahabad and has taken part in welfare activities for Harijans.

Mr Ajir Kumar Panja, the new minister of state for planning, was member of the West Bengal legislative assembly from 1982 to January ten, 1985, before entering parliament.

He was a cabinet minister for judicial and parliamentary affairs, health and family planning and municipal affairs and forests at various times in West Bengal. He is also the author of several books.

Mr Rajesh Pilot, the minister of state for surface transport entered parliament in 1980, having served as squadron leader in the Indian Air Force and the flying branch for 15 years.

Mr M. Arunachalam, minister of state for industry, has been a Member of Parliament from 1977, winning re-election in 1980 and 1984.

He received all his education in Tamil Nadu and obtained a law degree from Madras law college.

Mr Sitaram Kesri has been appointed minister of state for parliamentary affairs for a second time in his career. He was sworn in to the post in 1980.

A social and political worker, he as active during the freedom struggle. He was elected to the Rajya Sabha in 1971, 1974 and 1980 after having been a member of the Lok Sabha from 1967.

Mrs Sushila Rohtagi, minister of state for education and culture, was a teacher of history at the Women's College of Allahabad University before entering active politics.

She obtained her masters degree from Allahabad University before first coming to parliament in 1969, she was a member of the U.P. assembly.

Mrs Rohtagi has been a keen participant in educational and social welfare activities and attended the Afro-Asian conference for women at Colombo in 1958 and the World Peace Congress at Helsinki in 1965, among others.

Functions of Ministers

Madras THE HINDU in English 27 Sep 85 p 9

[Article by G.K. Reddy]

[Text] New Delhi, Sept 26--The President, Mr Zail Singh, issued today what are called the Government of India (Allocation of Business) Rules, 1985, spelling out the functions of the 26 Ministries including the five new ones and 83 departments under them controlling 192 attached offices dealing with over 2000 subjects.

The 101-page order signed by the President is a follow-up of the drastic changes made by the Prime Minister, Mr Rajiv Gandhi, yesterday in the composition, functions and designations of various Ministries and departments in the course of the latest cabinet reshuffle-cum-expansion.

The functions of Ministries like Commerce, Communications, Defence, External Affairs, Health, Information and Broadcasting, Labour, Law, Petroleum, Planning, Science and Technology, Urban Development, Steel and Mines, and departments like Atomic Energy, Electronics, Ocean Development and Space, besides the Cabinet Secretariat, President's Secretariat and Prime Minister's office remain more or less the same as before with only some incidental changes.

Some Ministries revamped: But other Ministries like Agriculture, Energy, Home Affairs, Human Resource Development, Industry, Transport and Welfare have been expanded, reorganised and divided into different departments to rationalise their functions. The newly created ones like Human Resources, Transport and Welfare have the functions of their constituent units bunched together or rearranged to provide for greater coordination.

The Department of Personnel and Administrative Reforms, which was detached from the Home Ministry and placed under the Prime Minister at the time of the formation of the present Government after the last Parliamentary election has been elevated to a full-fledged Ministry and designated as "Ministry of Personnel and Training, Administrative Reforms and Public Grievances and Pensions," dealing with a vast miscellany of 48 subjects like all-India services, vigilance, pay-scales, pensions, public grievances, UPSC, CBI and other public agencies empowered to look into cases of corruption, besides the many commissions of inquiry appointed by it.

Likewise, the Department of Science and Technology has been elevated to the level of a Ministry although its functions remain more or less the same. But the responsibilities of the newly created Ministry of Programme implementation have yet to be fully defined in the sense the business allocation order merely says that it would be "monitoring the implementation of the projects and programmes."

More elbow to Home Ministry: The Home Ministry which is now organised into four different departments, has gone through the maximum change with the main responsibility for monitoring all developments that threaten India's unity and integrity vested in the newly created Department of Internal Security under Mr Arun Nehru, vested with overall control over Intelligence Bureau, Border Security Force, Central Reserve Police and other police forces, the administration of criminal laws, control of visas, evacuee property, movements of foreigners, resettlement of people in border areas and matters relating to frontier agencies and tribal belts.

The main Department of Home directly under the Home Minister, Mr S.B. Chavan, will deal with promulgation of ordinance, appointment of Governors, emergency provisions, notifications of appointments and resignations of Prime Minister and other Central Ministers, code of conduct for Ministers

and legislators, warrant of precedence, national integration, control of immigration, State funerals, grants of pardons and commutation of death sentences and such other subjects listed under 41 items.

The Department of States, headed by Mr P.A. Sangma, will look after Centre-State and inter-State relations, Union Territories and their administrative services. It will also be responsible for the inter-State Council if and when it is created as stipulated in the Constitution.

As many as 113 subjects falling under five departments will be looked after by the composite Ministry of Human Resources Development entrusted to Mr P.V. Narasimha Rao, combining Education, Youth Affairs, Sports, Culture and Women's Welfare. But the main work of this Ministry will be done by the Department of Education dealing with primary, elementary, secondary and higher education. The intention of clubbing these five departments together was to make maximum utilisation of the available human talent and resources.

The Ministry of Energy, which was disbanded at the time of the formation of the present Government by merging power and irrigation and restoring the status of petroleum as a separate Ministry, has been revived with three new departments, dealing with coal, power and non-conventional energy sources. The new Ministry of Transport will look after Railways, Surface Transport and Civil Aviation with three Ministers of State dealing with them under the overall supervision of Mr Bansi Lal as the Cabinet Minister in charge of it.

Major role to PM's confidant: The Ministry of Defence, taken over by the Prime Minister, will have three departments of Defence, Defence Production and Supplies, and Defence Research and Development. The first one, which is a nodal department, will deal with the three services, the second with production and procurement of weapons and the third one headed by Mr Arun Singh with the scientific side of defence. As a confidant of Mr Rajiv Gandhi, he will be virtually running the Defence Ministry on behalf of the Prime Minister keeping him informed of its activities and requirements.

The Ministry of Industry, which is an empire in itself, has acquired additional responsibility under this reorganisation with the transfer of chemicals and petro-chemicals after the breakup of the Ministry of Fertilizers and Chemicals, with fertilizers going to agriculture. It will have departments of industrial development, company affairs, chemicals and petro-chemicals and public enterprises with as many as 55 industrial units under it.

There has been no change in the functions of Ministries like irrigation renamed as Water Resources and Works and Housing as Urban Development, Parliamentary Affairs and Tourism, Environment and Forests, Food and Civil Supplies and Law and Justice. But with the resignation of Mr Chandrasekhar Singh, the Department of Textiles, which was under his independent charge as a Minister of State, has now reverted to the Ministry of Commerce.

Rajiv Briefs Ministers

Madras THE HINDU in English 28 Sep 85 p 9

[Article by G.K. Reddy]

[Text] New Delhi, Sept 27--The Prime Minister, Mr Rajiv Gandhi, has started meeting Cabinet rank Ministers and the Ministers of State attached to each Ministry to discuss their precise functions and provide them with the necessary guidelines in terms of the responsibilities entrusted to them under the Allocation of Business Rules following the latest reshuffle.

He has been impressing on each group the importance of working together as a coherent team in its particular domain to achieve better results, besides cooperating fully with other concerned Ministries and departments to ensure fuller coordination.

Foreign Ministry briefed: The very first ones to be called in were the new Foreign Minister, Mr B.R. Bhagat, and the Minister of State, Mr K.R. Narayanan, but the functions of the Ministry of External Affairs remain well-defined posing no new problems. It was taken up today itself since Mr Bhagat was due to leave for New York tomorrow night to preside over the meeting of the Foreign Ministers of Non-aligned nations who get together during the U.N. General Assembly session.

One of the decisions that emerged from this discussion was that the Minister of State, Mr Narayanan, who as a former Foreign Service officer and distinguished diplomat has had considerable experience in multi-national diplomacy, should deal with India's relationship with various international organisations. This would relieve the External Affairs Minister, Mr Bhagat, of a lot of routine responsibility and enable him to concentrate on higher foreign policy issues.

Greater focus on new Ministry: But the Prime Minister spent considerable time sharing his ideas with the Minister for Human Resource Development, Mr P.V. Narasimha Rao, on how this newly created Ministry dealing with Education, Culture, Youth Affairs, Sports and Women should go about with its tasks of utilising the country's manpower and its skills to step up the pace of development and improve the quality of life of the people.

He met altogether seven groups today which included the new Home Ministry team, Mr S.B. Chavan and the two Ministers of State, Mr Arun Nehru and Mr P.A. Sangma who are going to share the responsibilities of running this vast establishment. The functional relationship between the Cabinet rank Minister who will continue to bear the over-all responsibility for the work of the entire Ministry and the two Ministers of State who will be dealing with Internal Security and Centre-State relations would have to be redefined to avoid personal frictions.

As Minister in charge of Defence, the Prime Minister will have to spell out similarly the functions of Mr Arun Singh who has been allotted only the defence science organisations and the other Minister of State, Mr Sukh Ram, dealing with defence production. The main Department of Defence, which handles all policy matters and provides higher direction, is held by the Prime Minister himself in his concurrent capacity as Minister of Defence along with his over-riding responsibilities as head of Government. But since he will not have the time to attend the day-to-day functioning of this big Ministry dealing with the three services, Mr Arun Singh will probably deputise for him discharging many of these responsibilities in his name.

V.P. Singh's powers intact: The other big one, the Ministry of Finance, has not gone through any diminution of its powers of area of activity as it has happened in the case of Home Ministry during this reshuffle. So Mr V.P. Singh continues as the undisputed overlord of this Ministry with the Minister of State, Mr Janardhan Poojari, assisting him in running the Department of Banking and Insurance. So the Finance Minister and his junior colleague were not called in today by Mr Rajiv Gandhi for a discussion on the functioning of their Ministry with its many divisions.

The Prime Minister intends to have not one but a series of discussions with the Ministers of Industry, Commerce, Energy, Transport, Welfare and Programme Implementation on their enlarged functions to set the tone for what is called a new administrative ethos at the Centre. The other Ministries in the economic or sociological sphere like Agriculture, Food, and Civil Supplies, Steel and Mines, Petroleum and Natural Gas and Water Resources, Planning, Urban Development, Labour, Health and Family Welfare, will be taken up both individually and in groups to ensure great interaction between them.

The various scientific departments under the Prime Minister will also come in for a review during this exercise, although Mr Rajiv Gandhi is more closely associated with their work as Minister in charge of them. But the very nature of their scientific and technological activity calls for closer scrutiny and coordination to achieve the desired result, as different from the political or administrative Ministries which are mini-governments by themselves.

Narasimha Rao's Status

Madras THE HINDU in English 6 Oct 85 p 1

[Article by G.K. Reddy]

[Text] New Delhi, Oct 5--The Minister for Human Resources Development, Mr P.V. Narasimha Rao, has retained his position as number two in the Cabinet after the recent reshuffle.

He continues to be ranked next to the Prime Minister, Mr Rajiv Gandhi, in the order of precedence in the Cabinet list which entitles him to preside over Cabinet meetings held in the Prime Minister's absence.

In Mrs Indira Gandhi's time, Mr Pranab Mukherjee ranked next to her, but after his exit from the Cabinet, Mr Narasimha Rao emerged as number two in Mr Rajiv Gandhi's Government.

The Cabinet Sub-Committees are generally reconstituted after every reshuffle to make suitable adjustments. The new Political Affairs Committee which functions as an inner Cabinet, now consists, besides the Prime Minister, who presides over it, Mr Narasimha Rao, Mr S.B. Chavan, Mr V.P. Singh and Mr Baliram Bhagat.

Minor Changes Reported

New Delhi PATRIOT in English 5 Oct 85 p 1

[Text] Prime Minister Rajiv Gandhi on Friday effected minor changes in his reconstituted Council of Ministers shifting Deputy Commerce Minister P. Chidambaram to the Ministry of Personnel and Training, Administrative Reforms, Public Grievances and Pension, reports PTI.

A Rashtrapati Bhawan communique, announcing this, said Mr Shivraj Patil, Minister of State, would shed temporary responsibility of this portfolio hitherto held by him.

Mr Chidambaram, who was made Deputy Minister of Commerce in charge of the Department of Textiles in last month's reconstitution of the Ministry, would now relinquish charge of that portfolio.

Mr Shivraj Patil will continue to be the Minister of State for Science and Technology.

New Ministry Formed

Madras THE HINGU in English 7 Oct 85 p 1

[Text] New Delhi, Oct 6--The newly created Ministry of Implementation under Mr. A.B.A. Ghani Khan Chaudhry, will monitor the implementation of the 20-point programme and all Central projects with an outlay of over Rs 10 crores.

The former Steel secretary, Dr P.K. Basu, who had served earlier as Director of the Bureau of Public Enterprises will be the Secretary to this Ministry.

The work being done by the Coordination Cell in the Cabinet Secretary will be transferred to the new Ministry.

Cabinet Panels Reconstituted

Bombay THE TIMES OF INDIA in English 26 Sep 85 p 8

[Text] New Delhi, October 10 (UNI)--The Prime Minister, Mr Rajiv Gandhi, has reconstituted the cabinet committees on political affairs and economic affairs following the reshuffle of his council of ministers.

With Mr Gandhi as the chairman, the CCPA will consist of human resource development minister Mr P.V. Narasimha Rao, the finance minister, Mr V.P. Singh, the home minister, Mr S.B. Chavan and the external affairs minister, Mr B.R. Bhagat.

The cabinet committee on economic affairs will include Mr V.P. Singh, the agriculture and rural development minister, Mr Buta Singh and the industry minister, Mr N.D. Tiwari.

The Prime Minister has also set up five other ad hoc committees, two of which would exclusively deal with the problem of prices. Both the committees on prices will be headed by Mr V.P. Singh.

One committee, consisting of Mr Buta Singh and the civil suppliers minister, Mr K.P. Singh Deo, will keep a check on the prices and also the quality of products supplies to the market.

The other committee on prices will comprise Mr V.P. Singh and the deputy chairman of the planning commission, Dr Manmohan Singh, and will take immediate decisions in respect of specific commodities or products. The minister concerned will be a special invitee for the meeting.

The third committee to be headed by Mr V.P. Singh, will review the performance of the public sector undertakings, including export promotion and import substitution.

The other members of this committee will be the steel and mines minister, Mr K.C. Pant, Mr N.D. Tiwari, the energy minister, Mr Vasant Sathe and Dr Manmohan Singh.

The fourth committee will make a comprehensive review of the forest policy. This committee will be headed by Mr Narasimha Rao and will include the water resources minister, Mr B. Shankaranand, Mr Buta Singh and the minister of state for environment and forests, Mr Z.R. Ansari.

The fifth committee will deal with the question of hike in aluminium prices in view of the increased power rates. Headed by Mr V.P. Singh, this committee will include Mr Pant, Mr Tiwari, Mr Sathe and the minister of state for petroleum, Mr N.K. Sharma.

TOINS adds: Mr P.V. Narasimha Rao will be associated with the work of four cabinet committees.

TIMES OF INDIA Editorial

Bombay THE TIMES OF INDIA in English 26 Sep 85 p 8

[Editorial]

[Text] This is not a cabinet reshuffle of the kind we have been used to for years. Instead, Mr Rajiv Gandhi has conducted a drastic surgery of a magnitude which hardly has a parallel in the history of independent India. Mrs Indira Gandhi had done something similar in 1969. But that had been forced on her by the split in the Congress party. Mr Rajiv Gandhi has not acted under any similar compulsion. No one outside the small circle of the Prime Minister's confidants can claim to have anticipated so sweeping a change in the Union government. Indeed, it is doubtful if Mr Gandhi had taken even them into confidence. A cabinet reshuffle had, of course, been on the cards because some key ministries such as industry had not been assigned to men of appropriate, that is, of cabinet rank. But that kind of reshuffle had been predicted and not materialised so often in the last nine months that the subject had virtually ceased to attract speculation.

In a change of this nature, it is not easy to pick up the most important item. Any choice is bound to appear arbitrary. In this case, the changes fall into several categories--those caused by straightforward removal (Mr Veerendra Patil and Rao Birendra Singh), new appointments (Mr N.D. Tiwari, Mr B.R. Bhagat and Mr Ghani Khan Choudhry), shift (Mr Arun Nehru), promotion plus shift (Mr Arun Singh) and demotion (Mr P.V. Narasimha Rao). This makes it all the more difficult to name a change which best symbolises what the Prime Minister has done. Even so if we have to make a choice, we shall opt for Mr Arun Singh's promotion from parliamentary secretary to the Prime Minister to minister of state in charge of the defence research and development organisation. For, it is possibly an indication that the Prime Minister no longer needs him as the principal adviser and for chief of staff and is keen to let it be known that he takes his own decisions and does not need to depend on any one individual to serve as his all-purpose "think tank."

This may not be fair summing up of the relationship between Mr Rajiv Gandhi and Mr Arun Singh. For all we know, Mr Singh might have been as modest in the privacy of his discussions with Mr Gandhi as he has been in public. But it cannot be denied that the impression had spread that Mr Singh had emerged as the second most powerful man in the country by virtue of his closeness to the Prime Minister. He has not lost the closeness. But he has been given a definite and important responsibility which must take up a good deal of his time and energy. This is as it should be. The Prime Minister must be seen to be his own man who uses advisers as and when he needs them for specific purposes. The change, however, is good not only for Mr Rajiv Gandhi's image but also for Mr Arun Singh's future. In his previous position he was arousing too much jealousy.

Even if this interpretation based on the assumption of Mr Singh having been the Prime Minister's all-purpose "think tank" is set aside, the change is significant. It symbolises a pattern whereby young men of Mr Rajiv Gandhi's generation and confidence have been placed in key positions from where they can run the affairs of the state regardless of whether the senior men now installed as cabinet ministers are in course of time removed or not.

Among them, Mr Arun Nehru's transfer from energy to home with internal security including police, rehabilitation and law and order under his charge, is by far the most significant. Thus the triumvirate which dominated the Congress organisation when Mrs Indira Gandhi was alive and Mr Rajiv Gandhi was one of the AICC general secretaries has re-emerged in a new guise, the two Aruns having been placed in two most important political portfolios. In Mr Singh's case, the Prime Minister will in all probability continue to hold the defence portfolio and in Mr Nehru's, Mr S.B. Chavan can be expected to adjust himself to the realities of power.

Mr Narasimha Rao's demotion--the change from defence to the newly created portfolio of human resources is without doubt a demotion for a man who has served as Andhra's chief minister and held charge of external affairs, home and defence in New Delhi--perhaps fits into this pattern of Mr Gandhi placing trusted lieutenants of his own generation in key positions. No other possible explanations come to mind, specially in view of the importance Mr Rao has apparently enjoyed in Mr Rajiv Gandhi's set-up. In Mr Bansi Lal's case, judgement is even more difficult. On the face of it, he has been made the "transport czar," a position which no minister in independent India has ever enjoyed. We have not had czars in the Indian government. But that fact itself makes it difficult to believe that Mr Bansi Lal has been so promoted. He is without doubt a competent minister and possibly Mr Rajiv Gandhi needs to project him for a variety of reasons relating to Haryana and Punjab. Even so the conferment of a czardom is not easy to take at its face value. Perhaps the list of his ministers of state tells the true story--Mr Madhav Rao Scindia, Mr Rajesh Pilot and Mr Jagdish Tytler. All of them are young men who can look forward to a long political career under Mr Gandhi.

Of the other changes, Mr N.D. Tiwari's return to the industry ministry is easily the most significant and the most welcome. He is a man of proven competence in the field and should be able to preside effectively over the modernisation programme which is now being launched by the Prime Minister. The same can be said about Mr K.C. Pant's return to the steel ministry with cabinet rank this time. He was clearly uncomfortable in education. That was not his forte. He is best qualified for technical ministries such as steel or energy. He made a good minister of state for home affairs. But obviously he could not fit into the Prime Minister's larger scheme as home minister and there was no reason to move Mr Chavan elsewhere.

Of the two other "new" cabinet ministers, it is pointless to comment on Mr Ghani Khan Choudhry. His return has more to do with West Bengal Congress politics (his arch rival, Mr Pranab Mukherjee has suffered diminution in his position with the acceptance of his resignation as

president of the PCC) than with his merit and reputation. He has been designated minister for programme implementation which probably means little. The allotment of the external affairs portfolio to Mr Bhagat is important but difficult to commend. He had served as minister of state in that ministry under Mrs Indira Gandhi when she herself held the portfolio. But those connected with India's foreign policy directly or indirectly will find it difficult to recall any significant contribution by him. His appointment is all the more surprising in view of Mr K.R. Narayanan's as his minister of state. Mr Narayanan is a distinguished diplomat who has served as India's ambassador in key capitals such as Beijing and Washington and should do well in new assignment.

Finance is one of the few major ministries to have escaped any change. This is an indication that the Prime Minister is satisfied with Mr V.P. Singh's stewardship and handling of crucial changes in economic policy and management. Among the other cabinet ministers whose performance appears to have pleased Mr Rajiv Gandhi is Mr Vasant Sathe. He has clearly been promoted.

HINDU Analyst Comments

Madras THE HINDU in English 26 Sep 85 p 9

[Article by G.K. Reddy]

[Text] New Delhi, Sept 25--The nature and extent of the Cabinet expansion-cum-reshuffle announced today was kept a closely guarded secret until the very last, taking almost everybody by surprise with only two or three exceptions who were privy to it.

Apart from Mr Arun Singh and Mr Arun Nehru, besides the Cabinet Secretary Mr P.K. Kaul, no Minister or official was aware of the full extent of the changes.

The new appointees were asked to reach Rashtrapati Bhavan in time for the swearing-in ceremony, but they had no idea of their portfolios until the oaths of office and secrecy were administered to them. It was only when the xeroxed copies of the new list were distributed after the swearing-in that they came to know of their assignments.

Ironically enough, but quite understandably, the two Cabinet rank Ministers and three Ministers of State who were dropped had some advance knowledge of their fate, since they were asked to send in their letters of resignation in time for the President's acceptance.

The drastic reshuffle, involving the change of portfolios of many Ministers and regrouping of various Ministries and departments is the outcome of the very extensive review of the working of his Government that was carried out by the Prime Minister, Mr Rajiv Gandhi, last month. But he has left himself enough scope to make some more adjustments before long, as he himself indicated today in an informal chat with the press after the swearing-in ceremony at Rashtrapati Bhavan.

Minor Changes Still Likely

He said there could be another minor expansion after the Punjab elections, hinting that some berths have been left unfilled to accommodate some more soon. It might take the form of one or two additions which could not be termed a Cabinet expansion, although it is customary to keep making some changes periodically in any elective system of government.

The only senior Minister who has emerged unscathed from this reshuffle is the Finance Minister, Mr V.P. Singh, whose powers have not been curtailed in any way by attaching more Ministers of State to him. The Home Minister's position has certainly been compromised by putting Mr Arun Nehru in charge of Internal Security which includes responsibility for law and order, control of police and intelligence organisations and over-all authority to coordinate both policies and actions in coping with terrorism and threats of subversion.

The Home Ministry will be reorganised with four main departments--one dealing with internal security, law and order and rehabilitation, the second looking after Centre-State and inter-State relations and union territories, the third designated as Home Department devoting itself almost exclusively to political issues and the fourth concerning itself with official languages. Centre-State relations and union territories will be dealt with by the second Minister of State, Mr P.A. Sangma, while Mr Chavan will be in over-all charge.

New Ministry of Welfare

The responsibility for welfare of scheduled castes and scheduled tribes has been transferred from the Home Ministry to the newly-created Ministry of Welfare under Mrs Rajendra Kumari Bajpai, who will be looking after all welfare programmes, especially those relating to weaker sections.

The most surprising aspect of this reshuffle has been the relegation of Mr P.V. Narasimha Rao, who has held External Affairs, Home and Defence, to the newly-created Ministry of Human Resources Development which will be dealing with Education, Culture, Youth Affairs, Sports and Women. It is not clear whether he will continue to retain his position as number two in the Cabinet after he has become only an Education Minister for all practical purposes, although this offers wide scope for displaying his scholastic talents.

Two Have Benefited

The two main beneficiaries of this reshuffle are Mr Buta Singh who is now in charge of Agriculture, Fertilizer and Rural Development. The other one is Mr Bansi Lal who has been given over-all control of all Transport, including Railways, Roads, Shipping and Civil Aviation. He will, however, lose in the bargain control over the day-to-day management of the Railways which will be run by the Minister of State, Mr Madhav Rao Scindia, referring only high policy matters to Mr Bansi Lal.

After Fertilizer has been added to Agriculture as a user Ministry which should have a decisive voice in its production, pricing and distribution, the residuary Department of Chemicals and Petrochemicals has gone to the Ministry of Industry which will have also a new Department of Public Enterprises. But the same logic has not been applied in the case of Energy since Petroleum has been kept out of it, while coal, power and other conventional sources have been clubbed under it.

This is sought to be made good by giving the Energy Board jurisdiction over all sources of power including petroleum. The Ministry of Petroleum is being redesigned as Petroleum and Natural Gas to make it responsible for all hydro-carbon sources of energy, their exploration and exploitation, storage and marketing, research and development.

An attempt has certainly been made to rationalise the administrative divisions by regrouping subjects to the extent possible at present. But this is only the beginning of a long drawn process of modernisation of the governmental system to make it a more effective instrument for orderly development and social change.

Few Available From A.P.

PTI reports:

The Prime Minister said in reply to a question that his Cabinet was now well balanced and practically all the States and regions had been represented in it. There was a certain imbalance no doubt in the sense that Andhra Pradesh was not adequately represented. But, he added, "our party has fewer MPs from the State."

Mr Gandhi explained that some vital Ministries had been clubbed to ensure their integrated functioning. For instance, an integrated Ministry of Transport had been created to deal with all important modes of transport. Mr Gandhi said his Government intended to give top priority to water and road transport. An integrated water and road transport policy was on the anvil. Since these modes of transport were under different Ministries, their integrated development was not coming about, he said.

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INDIA

RAJIV'S PROBLEMS IN HANDLING OF CABINET NOTED

Madras THE HINDU in English 29 Sep 85 p 2

[Article by G.K. Reddy]

[Text]

THE best guarantee of accountability, continuity and stability in a parliamentary democracy is an open Government that is responsive to criticism so that the superiority of informed opinion can assert itself in influencing important decisions. But there is an increasing tendency the world over for even elective societies to resort to excessive secrecy in the name of security with the result that it is often hard to identify who is responsible for which decision or what action in the functioning of a government.

The need for privacy in pondering over the alternative courses open to a President or Prime Minister in narrowing down their options and arriving at crucial decisions must not be treated as an excuse for exercising power in a highly personalised manner and functioning through confidants within a charmed circle, using secrecy as a smoke-screen for keeping even senior colleagues at a distance. An element of surprise, no doubt, is an essential ingredient in running a representative government based on a judicious use of patronage to keep the flock together. But in administering an occasional shock treatment to one's indolent or insular colleagues to spur them to give a better account of themselves, a Prime Minister cannot afford to play favourites by imposing greater confidence in a few of them.

Induction of dynamism

It is certainly the privilege of a Prime Minister to chop and change his team, as and when required, to improve the performance of his Government, but a generation gap cannot be closed in a change-resistant society like India by merely replacing some of the older men with younger ones to give a more youthful image to the Government. As a young leader with a modern outlook on life imbued with a more imaginative vision of the future, one who is impatient for rapid change through an innovative effort without allowing himself to be immobilis-

ed by the hang-overs of the past, Mr. Rajiv Gandhi is understandably keen on changing the character of Indian politics by inducting more dynamic persons from the limited talent at his disposal to achieve the desired results quickly.

But here again the new broom effect cannot be felt in the absence of solid and sustained performance at all levels, if he allows the charmed circle around him to function as the main power centre, a sort of government within a government, whose administrative authority is not matched by comparable political weightage within the party organisation. It is not possible to get together a 21st century team by relying heavily on the new modern management jargon to replace the old bureaucratic nomenclature with a deft combination of technology and phraseology to create an illusion that the country is getting ready for a great leap forward.

Realistic & responsive

The 41-year-old Prime Minister, who was catapulted into this pivotal position in the most traumatic circumstances, has succeeded in less than a year in making a profound impression with his candour and sincerity, his equanimity and modesty, his courage and rectitude, at a time when the people were anxiously looking forward to a spell of stability free from the tormenting ordeals of recent years that generated bitter animosities and left behind deep scars on the minds of some sections for no valid reason. He succeeded in this short period in developing a highly personalised style that helped to project him as a realistic and responsive leader determined to heal the old wounds and open the way for reconciliation with a display of magnanimity and tolerance without any streak of arrogance and authoritarianism.

The drastic reshuffle of the Union Cabinet within nine months has attracted wide attention because many thought that it represented a determined attempt by the Prime Minister to give the country a new look government. But what has not received equal notice is the cumulative

impact of the changes of leadership during this period in almost all the major Congress (I)-ruled States. The Chief Ministers have been replaced in Bihar, Gujarat, Madhya Pradesh, Maharashtra, Rajasthan and Uttar Pradesh without any marked improvement in the calibre of these State Governments. The Prime Minister can ill-afford to let the impression prevail, after the present excitement is over, that the shake-up at the Centre too has not made much of a difference in changing the basic attitudes of those in power in a political environment that still thrives on the spoils system.

It is not enough to instal computers in Government offices—as it has been done in the Prime Minister's Secretariat with all officers above the rank of joint secretaries having their own terminals for storage of information and ready reference—so long as the mentality of the political establishment and the bureaucracy that operates it have not changed with the changing times. The Prime Minister has not done anything yet to banish the highly corrupting five-star life styles of the younger politicians that have coarsened the Congress culture by exposing the ruling elite to greater temptations.

The atmosphere in which the rulers of independent India function remains as sick as ever, perhaps getting worse in some spheres where patronage is great, accountability is less and public awareness of what goes on is minimal due to the absence of adequate information. The dismissal of a few corrupt officials, some selective raids on tax evaders, a crackdown on other categories of economic offenders and a relentless drive against terrorism cannot by themselves help purify the soul of India until those at the helm are prepared to set stern moral standards and enforce them.

Inaccessible

The biggest challenge that Mr. Rajiv Gandhi faces as he completes the first year of his rule is how to cleanse this society before anything else can be done to justify the high expectations of those who gave him such a massive mandate. The excessive stress on his personal security has made him more and more inaccessible to the people with the result that he has no way of getting to know what is happening in the country, except through information fed by governmental agencies and party channels that is often slanted and subjective. He does not attach much importance to published press reports since he has been led to believe that all criticism is biased and, therefore, deserved to be taken with more than a pinch of salt.

The absence of an easy relationship between the Prime Minister and his elderly colleagues in the Cabinet, whether it is due to a generation gap or temperamental differences, has also led to some strange reservations in their contacts, with the result that he has become increasingly dependent on his younger aides with whom he has a better personal equation. There are no stalwart secretaries either at the helm of the bureaucracy who could help him to develop the right perspectives and caution him when his policies are not based on a proper assessment of the compulsions for corrective actions.

There can be no two views on the need for utmost security for the protection of the Prime Minister and other top leaders of the Government. But the terrorist threat has been used as a pretext for not only transforming the Prime Minister's residence into an impregnable fortress and his office into a cantonment with hundreds of police and military commandos lurking in every nook and corner with their fingers on the triggers of their deadly automatic weapons, but also curtailing even legitimate information about his official activities that are of public interest. The circulation of the tour programmes and even daily engagements of the Prime Minister to senior Ministers and officials, not to speak of the press, has been stopped for security reasons and the list of names of those that need to know has been curtailed to the very minimum.

New vested interests

This obsession with security has made Mr. Rajiv Gandhi a virtual prisoner of this vast web creating new vested interests in the bargain that are opposed to any reversion even after the terrorist threat is over to the concept of a more open Government. The result is that even senior Cabinet colleagues and others in high positions in the Government suffer from a disconcerting feeling that they are no longer privy to important decisions, that they are taken into confidence only compartmentally in the strictly limited areas that concern them, with no over-all view of what is happening within the inner recesses of the Government.

This is a sad state of affairs that is not entirely of the Prime Minister's making since he is as much a victim of it as anybody else at the higher reaches of the power structure, because he has to contend with the conditioning effects of the new pavlovian reflexes generated by this pervasive preoccupation with security in the functioning of the Government. It will become increasingly difficult for him to remove this distortion when the time comes for reverting to a more open Government which is the very essence of all democratic systems.

Absence of stalwarts

Another major handicap Mr. Rajiv Gandhi has been facing in getting together a more representative team is not merely the paucity of administrative talent in the ruling party, but also the absence of stalwarts in the Congress (I) who could lend support to him rather than rely on his personal charisma and political prestige to sustain themselves. Though he has re-established the convention of allocating all major portfolios to Lok Sabha members directly elected by the people, he has not been able to revert to the earlier practice of entrusting key ministries to senior leaders who are important in the party in their own right, wielding the necessary importance at the national level without their influence being confined to their home State.

So there is not even one other Minister in the present Council of Ministers at the Centre who can remotely be deemed to be anywhere close to Mr. Rajiv Gandhi in his political stature. In this Cabinet of lightweight, the younger ones who have emerged as his close confidants are

even less rooted in the party than their senior colleagues. It has not been possible for him to balance youth with experience or both with political clout in the party organisation, although the expectation is that at least some of the new ones would grow in stature with the passage of time.

A middle layer

There is no place for collective leadership under Indian conditions where the ruling Congress has always functioned as a banyan tree with little scope for any under-growth beyond the level of the grassroots. But the art of good governance calls for a conscious effort to build up a second line of leadership that is able, loyal and dependable to which the Prime Minister can delegate some of his powers with confidence. A Cabinet system cannot function effectively without such inner strength and resilience.

The present second line of leadership that Mr. Rajiv Gandhi is building up is essentially a middle layer to retain a firm grip on the administration by assigning his close confidants to sensitive positions. Some of them are undoubtedly able and dedicated men on whom he could depend, but they are political lightweights who have been propped up by him. A sort of rivalry is inevitable between the oldtimers who have been side-lined and the new ones that now operate the levers of power in his name.

There is also an inequitous regional representation in the new Cabinet with the south relegated to the status of a poor cousin. Andhra Pradesh

has only a Minister of State, Tamil Nadu and Kerala a Minister of State and a Deputy Minister each, while Karnataka has a Cabinet Minister and two Ministers of State, a total of only eight in a council of 52. U.P. has the lion's share of 10, Bihar five, Maharashtra six, Madhya Pradesh four, Rajasthan five, West Bengal three, Orissa and Haryana two each, while the Union Territory of Delhi has two Cabinet rank Ministers and two Ministers of State with a representation of only seven members in Parliament.

At one stage Mr. Rajiv Gandhi seemed to set fairly high standards for selection of Ministers by attaching considerable importance to personal integrity besides other qualifications. But he has made exceptions in the case of at least two Cabinet rank Ministers and a Minister of State with questionable reputations, while some of those eased out have fairly untarnished images. It was not, therefore, surprising that some eyebrows were raised in party circles over the application of different standards in these cases.

The phase of experimentation will be over with the completion of his first year in office and Mr. Rajiv Gandhi will have to settle down to the tasks of implementation of the many innovative steps he has taken in restructuring his Cabinet during the next four years of his term. No Prime Minister in future is going to be endowed with a three-fourth majority or the goodwill with which Mr. Rajiv Gandhi has entered office. And an equally great responsibility rests on the half a dozen young and up-coming political figures around him in whom he has reposed so much confidence.

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CSO: 4600/1071

INDIA

ENLF SUBMITS CHARTER OF DEMANDS TO INDIAN GOVERNMENT

Bombay THE TIMES OF INDIA in English 26 Sep 85 p 9

[Text] Madras, September 25 (UNI & PTI)--The four-group Eelam National Liberation Front (ENLF) has submitted to the Indian government a 10-point charter of demands to form the basis for a new cease-fire agreement between the militants and the Sri Lanka government, according to ENLF sources here.

The sources said today that the ENLF draft, handed over to the Indian foreign secretary, Mr Romesh Bhandari, has urged the setting up of district-wise committees consisting of representatives of the Sri Lanka government and the Tamil groups to conduct on-the-spot enquiries into cease-fire violations.

The front also wants the Amnesty International or a similar agency to act as "Observer" and study the plight of prisoners and monitor their release, the sources said.

The draft, understood to have been forwarded the island government by India through diplomatic channels, would be discussed with them by Mr Bhandari at Colombo tomorrow, they added.

The following are the ten conditions insisted upon by the ENLF: The Sri Lanka government should refrain from induction of men and military hardware from outside, carrying of arms when "security forces" move outside camps, attacking civilians "including ex-MPs," burning civilian property including private, public, industrial and commercial property, raping and indulging in abduction and other abuses, destroying movable property and hijacking vehicles, looting, robberies, extortion and harassment of traders and others attacking fishermen, stopping the mobility of people especially in plantations, induction of mercenaries from agencies like the Mossad.

The conditions were submitted to Mr Bhandari after the Sri Lanka government had put up eight demands that the militants refrain from--carrying of arms, exploding of land mines, attacking security establishments, attacking civilians including ex-MPs, Sinhala, Tamil and Muslim civilians, lynching innocent civilians, robberies, damaging trains and other property.

The front has also urged that the Prevention of Terrorism Act be scrapped and no arrests under the Act should be made during the cease-fire.

Meanwhile, the Sri Lanka government is looking forward to foreign secretary Romesh Bhandari's visit to Colombo on Thursday to make "useful progress" in the discussions held in New Delhi to resolve the island's ethnic problem, a government spokesman said.

In Madras, the TULF secretary-general, Mr A. Amirthalingam said only an international panel to monitor ceasefire arrangements between security forces and Tamil militants in Sri Lanka would be acceptable to them.

Referring to the constitution of a three member multi-racial panel to monitor cease-fire arrangements, he said an international panel of eminent personalities would inspire more confidence in the minds of the Tamils.

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CSO: 4600/1073

INDIA

RAJIV'S HANDLING OF NEIGHBOR RELATIONS DISCUSSED

Madras THE HINDU in English 6 Oct 85 p 2

[Article by G.K. Reddy]

[Text] After Punjab and Assam, the Prime Minister, Mr Rajiv Gandhi, has been concentrating on Kashmir and Mizoram to get these nagging problems out of his way before he can settle down to the more important tasks of governance. Kashmir is more complicated because of its communal repercussions impinging on Indo-Pakistan relations, but there are no such hurdles in the case of Mizoram that cannot be overcome with a little more generosity and spirit of accommodation.

An extraordinary feature of the Kashmir tangle is the continued involvement of Sheikh Abdullah's family in one form or the other in the tortuous politics of the strategic State with defence implications. One of the great achievements of Indira Gandhi was to have brought back the Sheikh into the mainstream of Indian life after years of incarceration. If he had died an embittered man, his mausoleum would have become a focal point of resentment in the Kashmir Valley, giving the anti-Indian elements a golden opportunity to whip up the pro-Pakistani sentiment of the local Muslims.

Outmanoeuvred

But in the traditional Indian environment of dynastic politics and hereditary succession, Sheikh Abdullah saw nothing objectionable in imposing his eldest son, Dr Farooq Abdullah on Kashmir as his anointed heir, much to the chagrin of his son-in-law, Mr G.M. Shah, who was a serious contender for the mantle. The young Farooq unfortunately proved to be deplorably devoid of the kind of skill and imagination required for consolidating his position. He neglected his positive base in Kashmir as he dabbled in opposition politics on the national scene, so much so that he found himself completely outmanoeuvred by his ambitious brother-in-law, who toppled him with the help of an obliging Governor, Mr Jagmohan, through a contrived party revolt with Congress (I) support.

However, the very manner in which he was unceremoniously dislodged from power led to a surge of sympathy for him with even those who were otherwise

highly critical of his playboy life-style joining the chorus of protests against the Governor's arbitrary action. The inability of Mr Shah to provide proper leadership without pandering to the whims and fancies of the pro-Pakistani elements made him increasingly vulnerable in the face of the mounting unrest within his own National Conference faction. It is not without a touch of irony that the Governor himself now recommends his removal to stabilise the highly fluid political situation in the troubled State.

Family Feud

But all this mess in Kashmir has led to the sobering realisation in Delhi that for good or bad, the Abdullah family is going to be a major factor in Kashmir politics for many more years and that a divided household, riven by bitter personal feuds and working at cross-purpose, is more harmful to the country's larger interests than a limited one pulling together and playing a decisive role in the State. It is this reappraisal of the Kashmir situation that has compelled the Central leadership to opt for a policy of uniting the divided Abdullah family by encouraging the mother to try hard to heal the breach and bring about a reconciliation between the estranged son and daughter, and through her with the son-in-law, if it is at all possible in the present circumstances.

The choice of thus being left to the Abdullah family to decide for itself how to end this feud and pull together as a single force, without attempting to impose a settlement by replacing the son-in-law with the son. It goes to Mr Rajiv Gandhi's credit that he has been displaying a keen understanding of the interaction of this family squabble without taking sides, while doing his best behind the scene to encourage the two factions to bury the hatchet and play their due role unitedly in the politics of the State. He has been steering clear of any involvement in the family feud, avoiding scrupulously even the remotest impression of siding with one or the other in the power struggle.

The spectacular success of Mr Rajiv Gandhi in strengthening his power base in a democratic manner by seeking a mandate through free elections is an eloquent example of how even chosen heirs cannot rely entirely on their heritage for survival beyond a point without a matching capacity to justify the choice. A father or mother can build up a son or daughter as a possible successor in one's own lifetime, but when one is dead and gone the inheritor of the leadership has to stand on one's own feet to justify continuance in power by consolidating one's political base. The Rajiv phenomenon should serve as a basic guideline for all Farooq Abdullaha aspiring to step into their parental shoes in India's public life.

Not Complicated

The situation in Mizoram is not as complicated as in Kashmir, but it needs to be handled with equal skill and imagination. It has to be tackled with great care, since any agreement reached with Mr Laldenga granting statehood to this tribal belt can make a profound impact on the minds of the other

hill people in the North-East suffering from a similar feeling of alienation. The protracted talks which have dragged on for a year got bogged down once over relatively unimportant issues that are not really relevant to a lasting settlement.

Amnesty to Mizo Rebels

The controversy whether the proposed amnesty to the Mizo rebels should be an internal part of this agreement or granted through an executive order as was done in other cases could be resolved without any great difficulty, with a combination of draftsmanship and statesmanship for evolving a mutually acceptable formula. Similarly, the differences over the Central insistence on letting the Chikmas, who are Buddhists, retain their district council even after Mizoram becomes a full-fledged state and Mr Laldenga's insistence that the rest of the local population who are Christians will not tolerate the perpetuation of this privileged position could be settled if the political will is there on both sides to reach an amicable settlement.

Other procedural issues like the interim arrangements after the grant of statehood, dissolution of the present Assembly and the holding of elections pose no great problems, since it has been agreed in principle to let Mr Laldenga head the caretaker administration.

But the fact that Mr Rajiv Gandhi has been generous in settling the Punjab and Assam problems has also raised the expectation of the Mizo leader that with a little more persistence he should be able to secure the extra concessions that the Home Ministry has been denying him in the course of the latest negotiations. It is not realised by Mr Laldenga that there is an inherent risk in overplaying his hand since Mr Rajiv Gandhi could be very tough if he gets the impression that the Mizo leader was being unreasonable.

The neighbouring countries closely following how the Prime Minister is handling all these internal problems have been drawing their own conclusions about his possible approaches to the development of India's bilateral relations with them. The way he has gone about allaying Nepal's apprehensions, dispelling Bangladesh's misgivings and strengthening the links with Bhutan, while lending a helping hand to Sri Lanka in tackling the Tamil problem, has certainly provided a new depth and dimension to India's neighbourhood diplomacy, although the relationship with Pakistan had remained frozen for all practical purposes.

The accumulated animosities of Nepal based on exaggerated fears of Indian dominance cannot be removed overnight, but a good beginning has been made in restoring some of the missing elements of mutual confidence. Many complex bilateral issues like the sharing of the Ganga waters, the construction of border fence, the maritime boundary question and the transfer of enclaves continue to bedevil Indo-Bangla relations. But what is important in the more immediate context is that a new degree of personal rapport has been established between Gen H.M. Ershad and Mr Rajiv Gandhi, which is helping to keep these differences confined to manageable limits.

The well-meaning efforts of the Prime Minister to bring about a political settlement of the Tamil problem in Sri Lanka has its positive and negative aspects. A positive feature of this initiative is that Sri Lanka is no longer suspicious of India's intentions in the sense that Mr J.R. Jayewardene and his advisers are not apprehensive any more than those in power in Delhi are taking undue advantage of the island's difficulties to extract extra concessions for the Tamils that could conceivably lead to eventual secession.

At the same time, the earlier Indian expectations of bringing about a quick solution are now conditioned by the growing realisation that the Sri Lankan President is bent on dragging his feet and delaying a settlement, because he is in no mood to grant substantial powers that could meet the legitimate aspirations of the Tamils for regional autonomy even within the framework of the present unitary Constitution.

The real test for Mr Rajiv Gandhi's leadership in the conduct of India's new neighbourhood diplomacy is the relationship with Pakistan which has both internal and external repercussions. It has been established beyond any shadow of doubt that Pakistan has been deeply involved in Punjab and Kashmir, in a diabolical bid to foment or exploit the unrest in these border States. The way it has gone about expanding its armed forces and amassing sophisticated weaponry has serious defence implications since more than three-quarters of Pakistan's Army and Air Force are now deployed along the Indian border, with hardly three infantry divisions and a few fighter squadrons facing the Soviet troops in Afghanistan.

Pak Deployment

The pattern of Pakistani deployment along the borders in Kashmir, Punjab, Rajasthan and the Rann of Kutch gives the Zia regime the capability to launch surprise attacks in corps strength at least at two points in the event of a new conflict but the Government of India is not jumping to the conclusion that it is all set for a fresh confrontation. The Indian capacity to hit back on more than two or three fronts with a devastating impact will continue to deter Pakistan from any such adventurism, but will not resist the temptation of fishing in troubled waters across the border if there is fresh trouble in Punjab or Kashmir, offering new opportunities for interference.

There can be no lasting improvement in relations with Pakistan until the internal situation in India is stabilised, especially in the border States. It is for this reason that the Punjab settlement has acquired a wider importance and the efforts to end the present political uncertainties in Kashmir have assumed greater significance. The Pakistani threat at the military level can be dealt with by the Indian armed forces, but it is the danger in the adjoining border States that continues to cause concern in Delhi.

The foreign observers of the Indo-Pakistan scene tend to take a rather facile view of this threat by over-emphasising the fact that India is at least five times larger in size with a well developed industrial base and

a vast population which has no reason to fear an attack by Pakistan. These critics conveniently overlook the reality that there is virtual parity in the deployment of Indian and Pakistani forces on the western borders because of India's other commitments, which keep more than a third of its Army permanently tied down along the Himalayas, facing Tibet.

Israel's Example

The ability of Israel with just three million people to pose a serious threat to the surrounding Arab world with a population of over 100 million people is a classic example of what a small and motivated country with a well-trained army enjoying the support of a superpower can do despite its small size. It is able to perpetrate one outrage after another on the Arabs without any fear of retribution because it can count on the U.S. to bail it out of difficulties as was done on many occasions.

It is this psychology of smugness that has encouraged the Pakistani rulers to continue to lend clandestine support to the terrorists in Punjab and indulge in sinister communal propaganda to inflame feelings in Kashmir in the hope of weakening India's defence capability in these border States. The successful conduct of the elections in Punjab followed by the formation of a popular government has upset India's detractors in Pakistan who have not reconciled themselves to the prospect of a return of normality in this troubled State. And they are now less determined to whip up communal passions in Kashmir to prevent a similar political changeover there.

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CSO: 4600/1073

INDIA

REPORT ON GANDHI 28 SEP SPEECH TO GOVERNMENT EMPLOYEES

Bombay THE TIMES OF INDIA in English 29 Sep 85 p 1

[Text]

BOMBAY, September 28.

THE Prime Minister, Mr. Rajiv Gandhi, said here tonight that the election results in Punjab showed that the people of that state stood for the unity and integrity of the country.

The results also proved that the country could not be disrupted by the forces of violence. "We did lose the elections, but the verdict was a victory for the issues and principles of democracy and non-violence for which we fought. It was a victory for Bharat Mata," he said.

The Prime Minister was inaugurating the first annual conference of the National Confederation of Central Government Employees and Workers at Vallabhbhai Patel stadium.

He said his government had fulfilled the pledge given to the people at the time of the general elections to restore peace and end confrontation in Punjab.

He said only a few people in Punjab had resorted to violence and most were against the forces of extremism.

Punjab apart, Mr. Gandhi spoke mostly about the responsibility of government servants to take India into the 21st century as a highly-developed country.

PRODUCTIVITY STRESSED

He repeatedly stressed the importance of increasing productivity without which wage increase could not be justified. He also spoke of the need to serve the people with greater dedication, honesty and discipline.

At the same time, it was important to root out corruption and nepotism. Referring to strikes and other forms of agitations, he said the managements of the undertakings concerned should be held responsible for these occurrences. It was for them to prevent such agitations.

The Prime Minister also spoke out strongly against those forces which were using freedom of expression to weaken the country. How long could this be tolerated, he asked.

When there was an urgent need for peace, he said, some people came out with pamphlets and other printed matter which created a rift between different communities.

He did not name these forces. But the remarks were apparently related to the strong criticism of the PUCL voiced earlier by the president of the confederation, Mr. P. R. Kumaramangalam, M.P. The confederation president said the organisation's executive had demanded action against the PUCL for its activities.

The function, held in a pandal in the stadium, was attended by hundreds of delegates and several Congress workers. Security was very tight and almost everyone entering the stadium was searched.

MAKEN'S PORTRAIT

Before beginning his speech, the Prime Minister unveiled the portrait of the late Mr. Lalit Maken, founder-president of the confederation, and Mrs. Geetanjali Maken, who were victims of extremist violence.

Mr. Gandhi said he had promised Mr. Maken to be at the function and he was very sorry that Mr. Maken was now no more.

He recalled Mr. Maken's contribution in building the big organisation of Central government employees.

Earlier, Mr. O. P. Maken, father of Mr. Lalit Maken, strongly refuted the propaganda that his son was responsible for the massacre of Sikhs after the assassination of Mrs. Indira Gandhi. The PUCL allegations were total lies, he said and added that his son worked for unity between Hindus and Sikhs till the last moment of his life.

Mr. Murli Deora, president of the BRCC and of the reception committee of the conference, welcomed the Prime Minister. The Maharashtra chief minister, Mr. Shivajirao Patil-Nilangekar, also spoke. The finance minister, Mr. V. P. Singh, was present.

Mr. Kumaramangalam had sought immediate measures to provide relief to government servants whose living standards, he said, were deteriorating. They should at least be given a living wage and adequate housing facilities, he said.

He listed various demands of government employees like early submission of the pay commission report and amendment to article 311.2(b) of the Constitution to remove the injustice reportedly caused by the supreme court judgment which provides for termination of service without inquiry in certain cases.

The Prime Minister told them that the finance minister, Mr. V. P. Singh, would deal with their problems during the conference tomorrow. While the government was sympathetic towards them, they should not merely press their demands but also consider their duty towards the government, the people and the country.

While there were some problems with the functioning of the bureaucracy and the employees, it had to be accepted that it was because of their work that considerable progress had been achieved since independence.

Nothing was more wrong than saying that in this country the rich were growing richer and the poor poorer.

The clearest indication of progress was the great rise in the number of middle class since independence. How many people were there in this class 40 years ago, he asked.

UNBRIDLED MARKET

Mr. Gandhi also spoke of the need to check the market forces as their unbridled functioning would hamper progress. At the same time, he accepted that these forces were very important for achieving progress.

The Prime Minister felt that some people were still complacent and lacked initiative. "We have to overcome such shortcomings through educational reforms and other ways," he added.

Referring to the confederation demand to lift the ban on fresh recruitment, Mr. Gandhi said if more people were to be given jobs, it would not be possible to pay more to those already having jobs.

Emphasising the importance of increasing production, he said if an industry became sick through poor production, the government took it over. But if the government itself becomes sick, who was going to take it over?

"Unless you give optimum production, our hands will be tied down and we would not be able to pay more," Mr. Gandhi said. He said he could understand their problems as he himself had been in a way a government servant in the past.

He knew that without adequate wages and facilities sufficient work could not be done. But things were not so simple.

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CSO: 4600/1069

INDIA

REPORT ON BHAGAT-SHULTZ MEETING AT UNITED NATIONS

Madras THE HINDU in English 3 Oct 85 p 9

[Article by R. Chakrapani]

[Text] United Nations, Oct 2--In the first high level meeting between India and the U.S. here after the Prime Minister's visit in June, Mr Baliram Bhagat, the new External Affairs Minister, held discussions today on bilateral and regional issues with the U.S. Secretary of State, Mr George P. Shultz. They talked privately for a brief while after which aides from both sides were present. From the Indian side the ambassador, Mr K.S. Bajpai was present.

Among the regional issues, the topics touched upon included Indo-Pakistan relations and questions of concern such as Pakistan's nuclear programme.

Improved prospects: On bilateral relations, it was noted that the visit of Mr Rajiv Gandhi to Washington had improved the prospects of bilateral relations. His successful visit had not only created a new atmosphere but opened possibilities of cooperation between India and the U.S. and whatever the differences of viewpoints between the two countries, they were being discussed in a friendly manner.

Since his arrival here, almost immediately after taking office as Foreign Minister, Mr Bhagat has met several Foreign Ministers. He saw the Chinese Foreign Minister, Mr Wu Xueqian in the afternoon and a meeting with the Pakistan Foreign Minister, Sahabzada Yaqub Khan is scheduled for Thursday.

Economic problems unresolved: Mr Bhagat's schedule included an address to the Group of 77 at the United Nations in the course of which he touched upon the economic and developmental problems faced by third world countries. He referred to the economic statement of the Luanda conference of the non-aligned.

India being the chairman of the non-aligned group, Mr Bhagat took the opportunity to address the Foreign Ministers of the group yesterday.

Israeli attack condemned: In a communique issued after this meeting, the Foreign Ministers expressed their "indignation and grave concern" and strongly condemned Israel's attack on Tunisia in flagrant violation of its integrity.

The Israeli action was also the subject of an urgent meeting of the Security Council today and Mr Bhagat was among those who strongly criticised its action.

Pak position on n-arms reiterated: In the General Assembly today, Mr Yaqub Khan repeated Pakistan's public position that it was committed and would remain committed not to develop nuclear weapons or allow their deployment on its soil. "This solemn commitment is rooted in our conviction that disarmament is a moral imperative in this nuclear age," he said.

On relations with India, he said Pakistan had proposed the conclusion of a bilateral agreement to outlaw aggression and the use of force. This could help remove mistrust and contribute to the strengthening of mutual confidence. He also made a low-key reference to the Jammu and Kashmir question calling for a "just and honourable settlement."

He expressed his Government's readiness to reach agreements with India "on the basis of the principles of sovereignty and reciprocity" for enhancing mutual security, preventing a return to confrontation and for keeping the area free of nuclear weapons.

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CSO: 4600/1086

INDIA

PAPER REPORTS BHAGAT ACTIVITIES AT UN

Madras THE HINDU in English 4 Oct 85 p 1

[Article by R. Chakrapani]

[Text] United Nations, Oct 3--India is sounding both the North and the South countries with the backing of some third world countries, for a summit during the week of the U.N. anniversary celebrations this month, to discuss urgent economic issues like debt, trade and development.

Support from China: The External Affairs Minister, Mr Baliram Bhagat received warm support from the People's Republic of China when he met its Foreign Minister, Mr Wu Xueqian yesterday. Before that, he sounded the U.S. Secretary of State, Mr George P. Shultz from whom he neither received support nor opposition.

Although time is running out for a meeting at such short notice, it is said India will move ahead and consult North and South countries who will be represented at the Heads of Government level to see if it will be possible. If there is sufficient response, a limited summit of two or three countries each from the industrialised west, Latin America, Asia and Africa, will meet at the U.N. No date has been fixed, but October 25 is being considered.

Central role for Rajiv: In his capacity as chairman of the non-aligned group, the Prime Minister, Mr Rajiv Gandhi, will play a central role at the meeting. Mr Bhagat, who returns home today after attending the U.N. session, is expected to swing into action immediately to arrange the meeting.

In their discussion, Mr Wu Xueqian told Mr Bhagat that the Chinese Premier, Mr Zhao Ziyang was looking forward meeting Mr Gandhi in New York at the anniversary celebrations.

Boundary issue raised: The boundary question was also referred to and it was noted that the next meeting of officials of the two countries is due to discuss the border issue for the first time on a sector-wise basis. Mr Wu hoped the meeting would make progress.

During his stay here, Mr Bhagat met several Foreign Ministers. Besides Mr Shultz and Mr Wu, he received at his hotel suite today the Pakistan Foreign Minister, Sahabzada Yaqub Khan. The meeting was described as a courtesy call to felicitate Mr Bhagat on his appointment.

Pak wants 'good relations': Mr Yaqub Khan said it was the desire of both the people and the President of Pakistan, Gen Zia ul-Haq to have "very friendly" relations with India. Mr Bhagat told Mr Yaqub Khan that when he met Mr Gandhi after taking over as Foreign Minister he (Mr Gandhi) had laid great emphasis on building friendly and cooperative relations with all of India's neighbours. Pakistan in particular. No substantive issues, including the nuclear question, was raised during their meeting.

But Pakistan's nuclear programme figured at Mr Bhagat's meeting yesterday with Mr Shultz. He took the occasion to express India's concern in the matter. U.S. sources said yesterday that Mr Shultz had suggested that both India and Pakistan enter into a "productive dialogue" on the question.

According to other informed sources, Mr Shultz also suggested that both countries would either agree on joint inspection or sign the nuclear Non-Proliferation Treaty. The joint inspection idea has been put forward by Pakistan, too.

Mr Bhagat pointed out that the NPT was a separate question altogether and the question of India subscribing to it could arise only if its discriminatory provisions against non-nuclear weapon States were removed.

Arms build-up: About joint inspection, he reportedly said that unless the present climate of suspicion and distrust between India and Pakistan was removed, there could be no progress. The first attempt should be to build confidence. He pointed out that Pakistan's arms build-up was a serious matter of concern to India.

The supply of U.S. weapons was another source of concern because India's defence had to match Pakistan's weapon for weapon. The supply of sophisticated weapons to Pakistan was impeding India's economic development. If, in addition, Pakistan acquired nuclear weapons capability, it would change the dimensions of the situation in the region.

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INDIA

PRESIDENT SINGH'S 6 OCT AGARTALA SPEECH REPORTED

Bombay THE TIMES OF INDIA in English 7 Oct 85 p 1

[Text] Agartala, October 6 (PTI)--The President, Mr Zail Singh, said here today that the country's borders in the north-eastern region would be sealed to end the problem of influx from neighbouring countries.

Replying to a public reception given in his honour by the Agartala municipality at the Assam rifles grounds, Mr Zail Singh said though the influx had already been contained to a great extent, even the few cases of illegal entry would be prevented by sealing the border.

The President told the mammoth gathering that the Central and state governments were closely co-operating to solve the problem of infiltration.

The President was accorded a warm reception earlier in the day when he arrived here on the final lap of his five-day visit to north-eastern states of Nagaland, Manipur and Tripura.

The President expressed his happiness over the developmental activities and effective implementation of the programmes. He emphasised the need for accelerating the phase of development.

Mr Zail Singh made pointed reference to the problem of infiltration after the chief minister, Mr Nripen Chakraborty, referred to the danger of mass infiltration from Bangladesh which, he said, was looming large as in the past.

Ties With Rebels

He said infiltrations had taken place in the last three years due to what he called "repression of minorities" in Bangladesh. "It is further more unfortunate that the Bangladesh government is hobnobbing with the tribal extremists of Tripura in its territory," he said.

The most deplorable thing, the chief minister said, was border crimes like murder, dacoity, child lifting and bamboo lifting, which were taking place on a very large scale, he said.

The President emphasised the need for maintaining unity and communal harmony without which the country could not make progress.

Noting that the country wanted peace and friendly relations with all its neighbours, Mr Zail Singh warned that its desire for peace should not be misconstrued as a sign of weakness.

Stating that India, Pakistan and Bangladesh were like members of a family with a common heritage, the President said it was unfortunate that the offer of friendship extended by India was not duly reciprocated.

Referring to the problem of educated unemployed causing major social tension in this border state, Mr Zail Singh said steps should be taken for starting vocationalisation of education. Such a step would not only ensure that the youth could stand on their own feet but also provide employment to others.

The chief minister said it appeared that Bangladesh was "Not ready" to sort out the outstanding border dispute along the state's frontier in Muhuri and Chandannagar.

He drew the attention of the President to the increasing need for strengthening the B.S.F. and improvement of border roads in the state so as to contain the extremist problem.

Mr Chakraborty suggested that extension of railhead to Agartala was an immediate need for the development of the state.

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CSO: 4600/1091

INDIA

CORRESPONDENTS INTERVIEW NEW AKALI DAL LEADER

Calcutta THE TELEGRAPH in English 29 Sep 85 p 7

[Article by Seema Mustafa]

[Text]

September 25 was another landmark in the turbulent history of Punjab. But after three agonising years it came as a harbinger of peace, of hope. Women in brilliant colours, men in saffron pagris, the disabled, the old and the young defied the threat of terrorism and exuding a rare confidence queued up outside polling stations to cast their vote for peace. The enthusiasm of the villagers in particular surprised even the cynics amongst observers who were forced to concede the people's overwhelming desire to live a normal existence.

September 26: The results began trickling in and it became clear by the afternoon that the Akali Dal had received the people's mandate. The party finally romped home with 73 of the 115 Assembly seats for which elections were held with the Congress(I) trailing behind with just 32 seats. Another message from the people of Punjab was driven home. They wanted a stable government. They had decided to leave no scope for bartering, for a weak coalition government and had cast a decisive vote. Even the Hindus, without whose support the 73 seats would not have been possible, joined the Sikhs in ensuring that one party came to power with a clear majority.

September 27: The Akali Dal president Mr Surjit Singh Barnala, 60, was elected as the leader of the legislature party, and hence the next chief minister, with no fuss. The Akali Dal lived upto the people's expectations and disappointed the cynics who were expecting a contest for the leadership. Instead, Mr Parkash Singh Badal proposed Mr Barnala's name and the election was unanimous.

Why did the people choose the Akali Dal and not the Congress(I) to form the government in Punjab? After all, both the parties promised peace and prosperity for the state and both asked for the vote as a further endorsement of the Punjab accord.

And why in particular did a sizeable section of the Hindus vote for the Akali Dal which is a Sikh party? For one, the Akali Dal took great care not to communalise the campaign in any area. None of the old sensitive issues was raised. Operation Bluestar was mentioned by some leaders, but Mrs Indira Gandhi's assassination and the November riots in Delhi were not even touched upon. Instead, the party leaders worked hard to convince the Hindus that their interests would be fully looked after, that the Akali Dal stood for a secular Punjab where the members of no one community would be treated as second

class citizens. And as if to give validity to this secular campaign the Akali Dal fielded six Hindu candidates. A first-time 'experiment' as Mr Barnala described it (see interview) but an experiment that paid dividends.

The secular campaign did a great deal to lull the fears of the Hindus who like the other communities in Punjab, wanted peace above anything else. They took a conscious decision to shift the onus from the Congress(I) and voted for the Akali Dal in the villages mainly (in urban areas the Hindu vote went to the Congress-I) in the hope that the responsibility of running the government would make the Akali Dal more responsible towards the real issues of terrorism and Hindu-Sikh amity.

On the other side, the Akali Dal subtly catered to Sikh emotions taking care, however, not to appear communal. It projected itself as a party which had devoted the past years to a struggle for the state. As the only party to have raised the vital issues of Chandigarh, territory and river waters. The Akali Dal reminded the people of the morchas, of the volunteers who had gone to jail and the hardships undergone by the leaders. The culmination was the Punjab accord which, the Akali Dal told the people, was a victory for Sant Harchand Singh Longowal. The government was finally forced to concede the Akali Dal demands and sign a memorandum of settlement with its leader. And it was the legacy left behind by Sant Longowal that the party would now be following.

Operation Bluestar was touched upon in the campaign though not dwelt on at length for fear of alienating the Hindus. Terrorism, however, was completely glossed over even as the Akali Dal reiterated its commitment to releasing the innocents in jail and rehabilitating the Army deserters.

The Sikhs smarting against the 'injustices' of the Congress(I) government needed little convincing to go with the Akali Dal. Apprehensions of infighting within the party for the leadership were overshadowed

by fears of the havoc the Akali Dal might create if out of power. A coalition government was regarded as a nightmare and a high turnout on polling day ensured a decisive result.

The Congress(I)'s defensive campaign helped the Akali Dal also. The party concentrated on the Punjab accord and the development of Punjab. Unlike the Akali Dal, it could not boast of any achievement in the past three years. It had decided not to rake up old issues in the election campaign partly because it had more to hide than reveal and partly because of a conscious desire to keep the campaign clean and the atmosphere healthy. The Prime Minister, Mr Rajiv Gandhi, set the example in his election tour of the state where he did not even once indulge in the election rhetoric of holding the other party responsible for the state's ills.

But this is all past now. It is the future of Punjab which the Akali Dal has been given the mandate to determine. Will it be bright or bleak? Will the Akali Dal cross the hurdles before it or trip? Will it be soft or hard towards terrorism? Will it succumb to communal pressures? Will it abide by the spirit of the Punjab accord? The answers to these will determine the fate of the Akali Dal and the future of Punjab.

The first hurdle before the Akali Dal was the election of the party leader. This the party has crossed gracefully, contrary to all expectations. The Barnala camp was positive on the eve of this election that Mr Parkash Singh Badal whose wife had appeared on Doordarshan to assert that he was the natural choice for chief minister, would create trouble by opposing Mr Surjit Singh Barnala's unanimous election. There were no two opinions on this and even a couple of hours before the legislature party meeting Mr Badal's supporters at his Chandigarh residence confirmed that he would contest the election. Mr Badal himself refused to comment, but a close aide confided that he would be contesting the election. "If he is not elected as the chief minister he will

not cooperate with Barnala, terrorism will grow in Punjab and Barnala himself will be ousted by circumstances within six months" was the aide's simple logic. He admitted that Mr Badal was looking for support to the SGPC president, Mr G. S. Tohra, and former speaker, Mr Ravi Inder Singh.

Mr Badal himself was pre-occupied and spent the few hours before the meeting in soliciting support from all sections for himself. That this was not forthcoming was evident when in the evening he surprised everyone by proposing Mr Barnala's name for the leadership of the party. This came not so much from Mr Badal's 'good intentions,' but from a realisation that he was isolated. Proposing Mr Barnala's name was a good political move which gives him some credibility within the party and also gains him the time he needs to marshal his resources.

However, the fact remains that the Akali Dal has not disappointed its voters by indulging in an unseemly fight for the chief minister's chair. For all apparent purposes Mr Barnala's election was unanimous.

The Akali Dal is still to spell out its stand on other issues. It has the advantage of having the unquestioned support of the people but the limitation of its own functioning. The Akali Dal is by its very nature a party of one community, the Sikhs, and its secular foundation thus is very weak. The temptation of succumbing to communal pressures thus is more difficult for it to resist and although its decision to field six Hindus in the election fray is a beginning, the party will have to make a concerted effort to follow this up with concrete steps for promoting Hindu-Sikh amity.

Unfortunately, its perception of secularism are extremely blurred. Its leaders while trying hard to appear secular are more comfortable while talking of the Sikh Panth and religion. Mr Barnala in an interview on the eve of being elected as the party leader refused to even consider the possibility or necessity of de-

linking religion from politics. "It is a historical stand and we have, no intention of changing it," he said. He asserted that the people's vote, apart from other things, was a vote for the Sikh Panth as well. Despite this, it is true that the Akali leadership has in the current campaign realised the importance of at least appearing secular. For a while, at least, this will keep the Akali government far from communalism.

The party's misty thinking on secularism has also made its stance on terrorism ambiguous. This cancer which has been eating into the vitals of Punjab for the past three years does not elicit an adequately hard-hitting response from the Akali Dal. Mr Barnala blamed the Congress(I) for terrorism. At the same time, he gave a clean chit to the SGPC which, according to him, has never given shelter to criminals in gurdwaras. To the question what his government will do about it, he says he will go to the root cause which is the patronage of terrorists by the Congress(I). He will release those arrested under the terrorist Act and, moreover, will negotiate with the "United" Akali Dal leader Baba Joginder Singh if the latter approaches him even now.

Mr Balwant Singh is also weak in his responses. Terrorism for him also is not a real problem and when questioned about what the new government will do to ensure that the Hindus feel secure, replies, "What else do the Hindus need except peace and security?"

For Mr Badal the people had voted decisively against Operation Bluestar. It is a nega-

tive vote against the government's action. Terrorism, Mr Badal's spokesman insists, is not an issue at all and merely the result of unemployment and wrong handling of the youths by the previous government.

While not wanting to sound too pessimistic about the Akali Dal's stance on the vital issue of terrorism and of its leadership's long term ability to withstand pressures from extremist and communal elements, one cannot but remember the phase before Operation Bluestar when the party succumbed entirely to the faction led by Jarnail Singh Bhindranwale. A vacillating Sant Harchand Singh Longowal finally gave up the tussle between moderation and extremism to allow Bhindranwale to control the reins of power while he himself sat, a silent spectator, in his room in the SGPC building within the Golden Temple complex, unable to voice his thoughts which were by no means entirely in favour of Bhindranwale.

Mr Barnala does not have the same stature as Sant Longowal. He is a moderate with the right intentions but his vision is a little blurred by the confused perceptions of an essentially communal party. (By his own admission he has no intention of rising above the limitations of religion imposed on itself by the Akali Dal.) But perhaps, as a senior Congress(I) leader said, this is still election rhetoric and the totally different circumstances today will elicit a completely different (and more positive) set of responses. After all the Akalis passed the first test of electing the legislature-party leader with flying colours.

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INDIA

APPOINTMENT OF ARUN SINGH, ARUN NEHRU DISCUSSED

Singh Responsibility for Defense

Calcutta THE TELEGRAPH in English 5 Oct 85 p 7

[Article by Rita Manchanda]

[Text]

New Delhi, Oct. 4: On the instructions of the Prime Minister, Mr Rajiv Gandhi, who also holds the defence portfolio, the defence secretary, Mr S.K. Bhatnagar, has issued an order directing ministry officials to send all files dealing with the department to the minister of state, Mr Arun Singh.

However, in the official notification released by Rashtrapati Bhavan on the Cabinet reshuffle, Mr Singh was appointed minister of state for defence research and development organisation, while Mr Sukh Ram was appointed minister of state for defence production and supplies. The Prime Minister was himself expected to look after the defence department with the three service chiefs reporting to him directly.

According to the internal order issued a few days ago, the defence department has been placed under Mr Singh. The three chiefs of staff, therefore, will now be accountable to him. In addition, Mr Singh will assist the Prime Minister in all defence matters and will look after all files except those specifically allocated to Mr Sukh Ram.

The situation is reminiscent of the early 60ties when Jawaharlal Nehru held the defence portfolio and Mahavir Tyagi was the

minister of state for defence organisations. Mr Tyagi virtually functioned as the de facto defence minister.

Under Mr Singh the department of research and development promises to become the nodal department in the ministry. It will now have a free hand in deciding on defence acquisitions from abroad. The department was previously only marginally associated with foreign defence purchases, while it supervised, through the office of the chief resident engineer, domestic acquisitions.

Ministry officials expect Mr Singh, who is known to have a grasp of high technology matters, to effect changes to invigorate the research and development organisation. These organisations have often suffered as the development of indigenous systems has been sacrificed for imports.

Mr Singh is also expected to deal more effectively with both the inflated claims of the research and development establishments and the sceptical chiefs who protest their inability to use indigenously developed systems because the specifications for equipment have changed due to an evolving security environment and acquisitions by adversaries.

Mr Singh's appointment has created a stir in US and Soviet circles. Moscow, in particular, is anxious about a shift in the Indian approach to an arms supply relationship with the US. Significantly, Mr Singh had, a few weeks ago, met the visiting US assistant secretary of state, Mr Michael Aramcost, and discussed defence matters with him.

Over the last year, several US officials, including the defence secretary, Mr Fred Ikle, have issued statements about an arms agreement being in the offing. The defence research and development secretary, Mr V. Arunachalam's recent visit to the US also occasioned much comment, especially his meeting with Gen. Abrahamson, the head of strategic defence initiative

(SDI) programme. Mr Arunachalam also met the defence secretary, Mr Caspar Weinberger.

During Mr Arunachalam's trip, India showed interest in the F-404 jet engine for the light combat aircraft being indigenously developed here. In an unprecedented move, the Pentagon agreed to give detailed specifications about the jet engine so that feasibility studies could be conducted for its eventual use in the project. Less than 10 years ago, the US had vetoed the sale of the Swedish Viggen jet fighter to India because it had a US-made jet engine.

Defence analysts are, however, sceptical about the possibility of India turning to the US for critical weapon systems as the

problems of co-production and the uncertainty of the supply of spares continue to block defence deals. They refer to the problems that have stalled the deal for the sale to two C-130 transport aircraft for the Antarctica expedition.

Many analysts feel that the offer of these weapon systems is a kind of "public relations exercise" that, among other things, is intended to influence the Senate to pass a fresh aid package for Pakistan. The US publicised its offer to sell F16s to India just when criticism about its military aid to Pakistan rose to a pitch.

The Soviets, however, are taking these developments most seriously. Recently, they have offered to sell India nuclear-powered submarines.

New Strategy Discussed

Madras THE HINDU in English 5 Oct 85 p 9

[Article by G.K. Reddy]

[Text]

NEW DELHI, Oct. 4.

As part of the administrative reorganisation now taking place at the Centre, an effort is being made to establish closer coordination between external and internal security in the light of the Punjab experience for evolving an integrated approach to border defence and prevention of civil strife in times of crisis and conflict.

It is with this object in view that the Prime Minister, Mr. Rajiv Gandhi, has assumed charge of the Defence portfolio and entrusted the newly created Department of Internal Security in the Home Ministry to one of his confidants, Mr. Arun Nehru, who will be in charge of all police and paramilitary forces.

The broad strategy behind this virtual assumption of direct responsibility by Mr. Rajiv Gandhi for both external and internal security is to make doubly certain that the country does not face again the kind of situation that was created in 1965 when Pakistan sent in a large number of infiltrators into Kashmir to indulge in large-scale sabotage and subversion before it started the war with clashes in several sectors in a bold gamble to capture the valley through a sharp and swift onslaught.

The country had to cope with a similar threat in a different form in Punjab during the last two years when Pakistan managed to keep the bulk of the Indian Army tied down to border defence while it ~~trained, armed and sent back~~ terrorists to engage in indiscriminate violence to

destabilise this strategic State. Though the Indian and Pakistan armies did not clash during the Punjab crisis, they have been facing each other in an uneasy confrontation, while the civil administration had to seek military help in controlling the explosive situation.

The Prime Minister has now positioned his two trusted lieutenants, the two Aruns as they are known in Government circles, with Mr. Arun Singh running the defence establishment in his name and Mr. Arun Nehru reporting to him on internal security problems. The two together will be playing an important role at the political level in organising joint planning, training and coordinating the activities of the defence forces and the police and paramilitary units to meet the twin threats of attacks across the border and internal subversion.

The new policy is to reorganise, re-equip and reorient the outlook of the police and paramilitary units to enable them to cope with civil disorders without seeking army assistance, while the army itself will be asked to recast its training to enable the field formation to deal more effectively with the external and internal aspects of defence in times of an armed conflict.

Inadequacies of police: The concept of a closer correlation between the civil and military responsibilities of the Government in meeting internal and external threats involves a certain amount of rethinking on the relative roles of the police and the army in different situations. The Punjab crisis has made the Government pain-

fully conscious of the gross inadequacies of the Indian police manned mostly by semi-literate rural recruits with no idea at all of the complexities of political turmoils and social unrest.

The intention of the Prime Minister is not to create a police State or give the army a bigger role than is absolutely necessary in the maintenance of internal security while bearing the primary responsibility for border defence. As a modern-minded young leader of a change-resistant society like India, he wants to make the maximum use of the limited machinery at his disposal through better utilisation of the various agencies.

Effective training: The available facilities will be modernised for imparting more effective training to both army and paramilitary units, using the most advanced methods, for ensuring a swift response with varying degrees of force to meet different kinds of threats. But in attempting to tighten discipline and prevent laxity and corruption, besides deterring involvement in political clashes or communal violence, the Government wants to pay greater attention to the police grievances about poor wages and living conditions.

The basic purpose is to enable the law and order agencies to regain their credibility and earn the confidence of the people, not dehumanise them by placing greater emphasis on sterner methods for meeting the dangers of internal subversion in whatever form which weaken the country's capacity to thwart the dangers of external aggression.

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INDIA

PAPERS REPORT GANDHI ACTIVITIES IN NEPAL

Speeches at 29 Sep Banquet

New Delhi PATRIOT in English 30 Sep 85 p 1

[Article by M.K. Kaul]

[Text]

Thimpu, Sept 29 — Mr Rajiv Gandhi underscored here tonight the need for peace in the world and stability in the south Asian region for its "genuine progress".

The Indian Prime Minister, who was replying to King Jigme Singye Wangchuck's address at the banquet hosted in his honour, said the trust and confidence that the two countries reposed in each other, the friendship they shared, and the holding of frequent mutual consultations by the two nations, were a major contribution to the growth of the concept of the south Asian regional cooperation, to which both the countries were committed.

"Our relationship also shows that when there is true respect and understanding, differences of size do not come in the way of equality", Mr Gandhi remarked, adding that it would be India's endeavour to build further on the excellent foundations that have been laid.

He described India's involvement in Bhutan's economic development as a "privilege" and said India did not regard it as "assistance or aid. Rather we consider it a sharing of resources for common benefit".

The Prime Minister reaffirmed India's commitment to continuing participation in Bhutan's future development. Mr Gandhi underlined the fact that while India was for economic change for the upliftment of its people,

it was determined to preserve the best in its heritage and praised the efforts of the Bhutan leadership in harmonising change and tradition in their national way of life.

Mr Gandhi in his brief but candid speech recalled the visit of his grandfather and first Indian Prime Minister Jawaharlal Nehru and his mother Indira Gandhi to Bhutan 27 years ago on horse back and yak back and said now he had come flying in an helicopter, and this signified the change that the two countries had undergone since then.

He said it was hard to believe that he had to wait 40 years to make "my personal discovery of Bhutan". He said although he was in the Himalayan kingdom for the first time, Bhutan is not new to me". Bhutan could not be new to any Indian because it ranked so high in India's list of friends, he said.

Mr Gandhi said Mrs Indira Gandhi had visited this country three times, and his wife Sonia had also been to this land.

Mr Gandhi also spoke about endowment of a chair for Buddhist studies in Indian universities and expressed happiness that young people from Bhutan came to Indian varsities in pursuance of their studies.

Earlier, the Bhutan King referred to Mr Gandhi's efforts to improve India's relations with its neighbours and said it had brought "distinct improvement in the political climate of south Asia".

In this context, he also praised India's initiative to resolve Sri Lanka's ethnic problem describing it as "timely and useful".

The King also referred to the initiatives taken by Mr Gandhi as chairman of the nonaligned movement on a number of key issues and said the convening of the six-nation summit on nuclear disarmament had been widely acclaimed.

He wished the Prime Minister "every success in your noble endeavours".

About the Indo-Bhutan relations, the King said the two countries "enjoy a level of complete trust and friendship", and added that a close understanding existed between them on all issues of mutual concern.

"I believe we have succeeded in demonstrating to the world that enlight-

ened and farsighted leadership can make it possible for a large country like India and a small neighbour like Bhutan to coexist in perfect harmony, trust and cooperation", he remarked.

The King also recalled Mr Nehru and Mrs Indira Gandhi's visit in 1958 and admitted that it was as a result of this historic visit that Bhutan opened its portals to outside world after several centuries of self-imposed isolation and embarked on a programme of rapid socio-economic development with the generous financial and technical assistance from India.

Referring to the relationship between Mrs Indira Gandhi and his late father King Jigme Dorji Wangchuck, he said it was rare in the annals of international relationship to find a relationship of such affection and trust between the leaders of two neighbouring countries.

Speaks to National Assembly

New Delhi PATRIOT in English 1 Oct 85 p 1

[Article by M. K. Kaul]

[Text]

Thimpu, Sept 30:

Prime Minister Rajiv Gandhi has called for greater cooperation and trust among the developing nations to resist big power politics which were causing "increasing tensions in various regions and fomenting distrust".

Addressing the Tshogdu, Bhutan's 150-member National Assembly, the Prime Minister felt that national interest and the objective of resisting "big power politics" demand that "we develop a relationship of trust with neighbours".

He said too many developing nations were today compelled to spend on guns what they should be spending on growing more grain and building more houses.

The Tshogdu was specially convened in honour of the visiting Indian Prime Minister, who later freely talked to the members of the National Assembly.

Sounding a note of warning, Mr Gandhi told the Assembly that the world today had become increasingly dangerous with the shadows of nuclear

destruction looming large, on the one hand, and the international economic system in disarray, on the other.

The result of these twin pressures was weighing particularly heavily on the vulnerable developing countries, Mr Gandhi pointed out.

He said peace was an essential precondition to development. In this context, he noted that India and Bhutan were bound together in an enduring friendship based on high regard for each other and a sense of kinship.

Mr Gandhi took the opportunity to assure his hosts of India's continued commitment in the development of Bhutan and announced to the cheering house that India would finance a number of projects in Bhutan in the future.

Among the projects Mr Gandhi listed were improvement of power system in Thimpu and Paro, construction of mini-hydel projects at Gyetse and Khaling in eastern Bhutan, and river training works in southern Bhutan.

The Indian Prime Minister said that India had always been associated with Bhutan's planning process and

had even partially financed its five-year plans. "We shall do so with the next plan as well", he said amidst thumping of desks by the members.

Agencies add: The Prime Minister said that the Non-Aligned Movement (NAM) had been passionately pleading with the nuclear weapon powers and with the economically strong countries to use their strength with wisdom.

He recalled that India with five other nations, recently undertook a major initiative on disarmament. While the primary responsibility for reducing and eliminating nuclear weapons lay with countries which possessed nuclear weapons, "we too are concerned because we have a right to live and this right will be jeopardised by a nuclear war".

The Delhi declaration, Mr Gandhi noted, had received overwhelming support by the international community.

The 40th anniversary of the United Nations, Mr Gandhi said, "provides us with an opportunity to redouble our efforts both in regard to nuclear weapons and in regard to the correction of the growing economic disparities among nations".

Mr Gandhi reminded Bhutan's leaders that no country in the modern world could live in isolation, let alone make progress.

India, Mr Gandhi told the National Assembly, benefited from such co-

operation and "in turn we have shared our resources and skills with other developing endeavours".

The Prime Minister concluded his speech by quoting his grandfather Jawaharlal Nehru who, during his visit to Bhutan in 1958, observed that "some may think that since India is a great and powerful country and Bhutan is a small one, the former might wish to exercise pressure on the latter".

Earlier, at the National Assembly, Speaker Lunpo Tamjagi welcomed the Prime Minister and spoke of the growing relations between India and Bhutan. He thanked Mr Gandhi for the public address system gifted by him.

Mr Tamjagi described Mr Gandhi as a good friend of Bhutan and hoped the friendly cooperation between the two countries would enlarge in the years to come.

The 150-member Assembly held a special "marchang" ceremony by offering prayers for the long life and well being of Mr Gandhi and his family and for the everlasting friendship between Bhutan and India.

Mr Gandhi then spent some time chatting with the legislators over a cup of tea, with King Jigme Singye Wangchuck at times acting as interpreter and explaining the functioning of the Assembly.

The Prime Minister and his family then flew to Paro.

Usefulness of Talks

Calcutta THE STATESMAN in English 2 Oct 85 p 1

[Text]

NEW DELHI, Oct. 1.—Mr Rajiv Gandhi returned here today after a three-day visit to Bhutan, satisfied that the visit had strengthened India's friendship with the Himalayan kingdom, report PTI and UNI. Earlier in Paro (Bhutan), an official spokesman from the Indian side said the visit would help boost mutual cooperation.

Mr Gandhi, who was accompanied by his wife, Sonia, and their two children, Rahul and Priyanka, said he was struck by the beauty of Bhutan and the warmth of its people.

Bilateral issues were understood to have been discussed during two rounds of talks Mr Gandhi and King Jigme Singye Wangchuck had yesterday and today before the Prime Minister returned to Delhi. No aides were present at the meetings.

No formal agenda was drawn up for the talks as the two countries have no outstanding problems, said Bhutan's Foreign Minister, Mr Lyonpo Dawa Tsering. While Mr Gandhi exchanged views with the King, the Foreign Secretary, Mr Romesh Bhandari, conferred with Mr Tsering.

An official spokesman said the two leaders had useful talks which helped to know each other better. India will generously finance Bhutan's Sixth Five-Year Plan. The earlier plans were almost fully financed by India. Trade between the two countries will be further increased.

The Bhutanese Foreign Minister emphasized that there was no question of his country having trade relations with China. A week before Mr Gandhi's visit, Bhutan's National Assembly had voted against having any truck with China in trade, he added.

Mr Gandhi's trip evoked tremendous response in the Bhutan.

These capital, Thimphu, and the monastery town of Paro. Almost the entire population of the two towns turned up to welcome the Prime Minister and Mrs Sonia Gandhi.

Mrs Sonia Gandhi presented a cheque for Rs 5 lakhs to the Women's Welfare Association of Bhutan.

Mrs Gandhi handed over the cheque to Princess Ashi Sonam Chodan Wangchuk, the elder sister of the Bhutan king, for boosting the smokeless choola programme in the Himalayan kingdom. The money will also be used for undertaking other women's welfare programmes in the country.

Correspondent Comments

Calcutta THE STATESMAN in English 2 Oct 85 p 1

[Article by S. Venkatesh]

[Text]

PARO (Bhutan), Oct. 1.—A great national event is over. Mr Rajiv Gandhi has returned home. It is time for the thunder dragon to return to the hills, for King Jigme Singye Wangchuk to retire to his forest lodge and for the people to turn back to their daily toil of the land with a lot of arrack in evening.

What has the Indian Prime Minister's visit achieved? Very little if one is looking for something tangible. But very much if one is scanning the diplomatic chessboard. Goodwill, after all, cannot be measured.

The Bhutanese left to themselves, would let the Buddha guide their spiritual path and the 20-year-old monarch tend their security. The King, Druk Gyalpo, "precious ruler of the dragon people's" who is known to treasure even as the founder of his dynasty in 1907 both Buddhism and Bhutanese tradition, has, in turn let India put a protective arm around his kingdom. And India is happy to play that part.

It is but natural that a king whose family had known to Nehrus for long and who used to call Indira Gandhi "Aunty" should

be so close to Mr Rajiv Gandhi.

What Bhutan expects of India is not only resources, which she has been getting, but also help to keep poachers at bay. This is a major commitment, but a welcome one. For a secure Bhutan means that much security for India.

The treasure that both Bhutan and India would like to preserve is strategic territory. Both are well aware that once the Bhutan's way of life is disturbed, the danger signals would start buzzing.

What is this way of life after all? The 18,000 square miles that comprise the kingdom has a population of about 130,000. "We are underpopulated", everyone tells you. English is the medium of instruction and education is free or heavily subsidized, but there is a dearth of educated people to man the Secretariat.

There is no television broadcasting station but the royal family have TV sets thanks to a towering antenna, one is told. Rolls Royces, Mercedes and Toyotas of the royal household can be seen plying all over the country. But the people mostly walk—there was not a single cyclist sighted though one saw Government officials driving scooters and cars.

/9317

CSO: 4600/1080

INDIA

ANALYST ON NEPAL'S ACCEPTANCE OF INDIAN AID

Madras THE HINDU in English 30 Sep 85 p 1

[Article by G.K. Reddy]

[Text]

NEW DELHI, Sept. 29.

After the recent visit of King Birendra to Delhi, Nepal has dropped the idea of entrusting the construction of the 200-kilometre long Koha-lpur-Mahakali sector of the east-west highway to China with World Bank loan.

It has signed an agreement with India for an assistance of Rs. 50 crores to construct this western segment of the highway with its own labour supplemented by Indian technical assistance, to avoid political complications.

An agreement to this effect was signed in Kathmandu today by an Indian delegation headed by the Secretary in charge of Economic Relations in the Ministry of External Affairs, Mr. N. P. Jain, and the Finance Secretary of Nepal, Mr. Lok Bahadur Shreshta, ending an year-long misunderstanding in Indo-Nepalese relations.

After the 1962 Sino-Indian border conflict, Nepal had asked India to close down the 14 wireless posts it was operating on its northern borders as part of a joint monitoring arrangement, since the Royal Government did not want to offend China by continuing it. The Indian Military Mission in Kathmandu was also wound up in the wake of these developments despite India's special treaty relationship with the mountain kingdom.

Nepal's assurance: But in 1965, Nepal assured India that, just as it did not want to offend China by allowing the Indian wireless stations to continue on the northern borders, the Royal Government had no intention of creating any security problems for India by giving any road-building contract to China in the Tarai region adjacent to the Indian borders with the kingdom. The Chinese were allowed to build a north-south road linking the Kathmandu valley with their own road network in Tibet through the Kodari border post.

But when Nepal sought World Bank loan for completing the western sector of the east-west highway, close to the U.P. border, the Chinese stepped in with the lowest tender which was far below the Indian quotation. The Nepalese Government was left with no choice except to award the contract to China if it wanted to avail itself of World Bank assistance.

Principal aid giver: As Nepal's principal contributor of foreign aid, which has already given over the years about Rs. 350 crores for various projects, India offered to provide an extra Rs. 50 crores in addition to the construction work it has already undertaken in the central sector of this highway at a cost of Rs. 70 crores, to help Nepal out of this predicament. It has now decided not to avail itself of the World Bank loan and instead, to build the road with its own labour and Indian assistance.

This decision of the Royal Government would go a long way in improving Indo-Nepalese relations and probably pave the way for a reciprocal Indian gesture in due course by responding to its repeated pleas for treating this land-locked kingdom as a zone of peace. The Nepalese are also seeking further Indian concessions on trade and transit, besides a broad understanding between the two countries on fighting the menace of terrorism.

No strains in Sino-Indian relations: An interesting feature of the controversy over these road building contracts is that the Indian efforts to dissuade Nepal from permitting China to extend its construction activities to the Tarai region have not by itself led to any strains in Sino-Indian relations. Though the Chinese survey teams have on some occasions trespassed into the Indian territory, the Indian authorities handled the situation politely by telling them to go back to the Nepalese side.

There have been some border violations in the eastern sector in recent weeks and India had protested to China about them. The Chinese have denied any such intrusion, but did not adopt a defiant attitude as they used to do in the past.

Piquant situation may arise: A piquant situation will, however, arise if Nepal asks China to build a suspension bridge in the Kohalpur Mahakali sector since the Indian engineers do not have the technical expertise for it. It remains to be seen how this issue is going to be sorted out in the light of the agreement signed today, providing for Rs. 50 crores Indian assistance for the road project.

The Indian and Chinese Prime Ministers are due to meet in New York during the U.N. General Assembly special session next month before the next round of the official-level talks are held in early November in Delhi.

/9317

CSO: 4600/1076

INDIA

PAPER REPORT IMPACT OF POLISARIO RECOGNITION

Analyst Gives Background

Madras THE HINDU in English 2 Oct 85 p 1

[Article by G.K. Reddy]

[Text]

NEW DELHI, Oct. 1.

The Government of India announced today its recognition of the Sahrawi Arab Democratic Republic (SADR) set up by the Polisario in Western Sahara, a territory that came under Morocco's control after Spain withdrew from there.

The decision was taken by the Prime Minister, Mr. Rajiv Gandhi, after careful consideration of various aspects of this controversial issue affecting India's relations with Morocco which was claiming this territory and Algeria that was actively supporting the Polisario-led struggle for its independence.

At one stage India had declared that it would abide by the decision of the Organisation of African Unity (OAU) which, along with the U.N., has been supporting the move for an internationally-supervised referendum to determine the wishes of the Western Sahara people.

The advocates of an early Indian recognition have been stressing that as many as 62 countries, including 32 from Africa itself, have already recognised SADR, while those urging caution have been pointing out that all the big powers including many Arab countries have so far refrained from doing so to avoid involvement in this conflict.

Rasgotra mission: The King of Morocco had sent the Speaker of his Parliament and one of his Cabinet Ministers to Delhi to meet Mr. Rajiv Gandhi and request him to defer Indian recognition until he had worked out the modalities of the proposed referendum with the President of the OAU and the Secretary General of the United Nations. The Prime Minister, in turn, sent to Rabat the former Foreign Secretary, Mr. M. K. Rasgotra, as his special envoy to ascertain when Morocco intended to hold the promised referendum.

Mr. Rasgotra returned with an assurance from King Hassan that the referendum would be held as soon as the modalities had been settled in terms of the OAU and U.N. resolutions and his own assurances on the subject. The Prime Minister was due to meet the King in New York later this month during the U.N. General Assembly session.

Drastic Moroccan reaction?: The Government has now decided to go ahead with the announcement of the Indian recognition without waiting for the King's meeting with Mr. Gandhi or completion of the arrangements for holding the promised referendum. The decision is bound to be resented by Morocco which has been urging India to wait for some more time, but it remains to be seen whether it would take any drastic step like recalling its Ambassador to voice its resentment against the Indian action.

India 'Left No Option'

Bombay THE TIMES OF INDIA in English 3 Oct 85 p 1

[Text]

FAR from being abrupt or hasty, India's recognition of Polisario's Saharvi Arab Democratic Republic (SADR) in the vast but sparsely populated western Sahara in north-west Africa has been the result of deep thought and painstaking negotiations with Morocco in the hope that Rabat would embark on a course that would avoid a breach between it and New Delhi.

That, however, was not to be. Morocco has broken off diplomatic relations with this country in protest against Indian recognition of a set-up with which the Moroccan army has been fighting for western Sahara's control for a whole decade.

Even so the expectation here is that the Moroccans would learn to live with facts of life and good relations between India and that country would be restored before long.

There was a certain inevitability about the recognition accorded to Polisario — the popular organisation for the liberation of western Sahara — and this is best explained by starting the story from the beginning.

The territory in dispute (an area of 300,000 sq. km. inhabited by no more than 200,000 people which is rich in phosphates and other minerals) was Spanish Sahara at one time. In 1975, the withdrawing Spanish army handed the vast desert with a long coastline on the Atlantic to neighbouring Morocco.

Polisario, which had started a war of independence against the Spanish authorities two years earlier then turned on the much more powerful Moroccan army. Remarkably, by this year it had established control over two-thirds of western Sahara.

All efforts to bring about an amicable settlement between Morocco and Polisario under various auspices — U.N., OAU, non-aligned and so on — having failed, the OAU last year accepted the SADR government of Polisario as its member — and it took its seat in that organisation.

Both India and the non-aligned movement go by the principle that in the event of a territorial dispute between any two members of the non-

aligned movement, the decision of the regional organisation must prevail. Thus in the wake of the OAU's decision, Polisario / SADR became a member also of NAM. Sixty-two non-aligned countries promptly recognised SADR and the pressure on India, as chairman of NAM, to do the same mounted.

Even so, in deference to Moroccan sensitivities, this country held back, although during his visit to Algiers in June, Mr. Rajiv Gandhi had left no one in doubt that Indian recognition of SADR was inevitable.

Indian diplomatic effort was concentrated on persuading Morocco to see reason and agree to the U.N. resolution demanding a referendum in western Sahara on a number of conditions, the first of which is that Morocco would establish contact with Polisario. At one stage the former foreign secretary, Mr. M. K. Rasgotra, who was once ambassador in Rabat, was sent to Morocco as the Prime Minister's envoy to reason with the Moroccan government.

During the talks with him the Moroccan government agreed to the referendum as suggested by the U.N. on January 1, 1986, but later backtracked, refusing to have any truck with Polisario.

Normally, Indian recognition of SADR should have been announced at the non-aligned foreign ministers' meeting in Luanda at the beginning of last month. But Mr. Rajiv Gandhi held his hand in the hope that Rabat would announce a referendum on U.N. terms by the end of September.

At first the Moroccans seemed willing to do so. But once again they had second thoughts. When no announcement came from Rabat even on September 30, New Delhi could wait no longer. The non-aligned foreign ministers were due to meet in New York and they expected India to act. This meeting is now in progress under Mr. B. R. Bhagat's chairmanship.

As for what happens in future, much would depend on the contacts between King Hassan of Morocco and other non-aligned leaders, all of whom will be in New York later this month for the 40th anniversary of the U.N. The King is scheduled to address the U.N. general assembly on October 22.

Break in Ties With Morocco

Madras THE HINDU in English 3 Oct 85 p 1

[Article by G.K. Reddy]

[Text]

NEW DELHI, Oct. 2.

Morocco has broken off diplomatic relations with India in protest against New Delhi's recognition of the Sahrawi Arab Democratic Republic (SADR) in Western Sahara set up by the Polisario fighting for the territory's independence.

The Indian Ambassador in Rabat was called to the Foreign Ministry last night within hours of the announcement in Delhi yesterday and told of the Moroccan decision, but no time-limit was set for his departure.

The Moroccan Ambassador in Delhi, Mr. Larbi Mouline, called on the Secretary in the External Affairs Ministry, Mr. N. P. Jain, today to convey his Government's unhappiness over the Indian recognition of SADR while communicating the decision to break off diplomatic relations over this development.

Working arrangements: The two Governments are now making arrangements for some third countries to look after their interests. Though the Indian and Moroccan Ambassadors will be leaving Rabat and Delhi soon, they will leave behind skeleton staff in each mission to deal with routine matters functioning as Indian and Moroccan sections of the embassies of countries which will be looking after their interests.

The Government of India did not expect that Morocco would react so sharply, although it

had broken off diplomatic relations with Yugoslavia when it recognised SADR declaring the Polisario struggle as a liberation movement. The reason given by Morocco for its strong reaction against the Indian recognition was that it amounted to prejudging the outcome of the referendum on self-determination in Western Sahara proposed by the Organisation of African Unity (OAU) and the United Nations.

World Court recognition: The Ministry of External Affairs justified the Indian decision with the argument that the people of Western Sahara had been fighting for their independence for the last two decades, first against Spanish rule and then against Moroccan occupation. The U.N. General Assembly, it was pointed out, had declared the Polisario-led struggle as a liberation movement for decolonisation, while the World Court had held that there were no ties of territorial sovereignty between

Western Sahara and Morocco or Mauritania to justify their claims to it after the termination of Spanish rule.

OAU leader: The Government of India had also stated that SADR was now not only an OAU member but also one of its vice-presidents having been recognised by as many as 32 members of this organisation. It decided to accord recognition to SADR in conformity with the policy of being guided on such complicated regional issues by the decisions of representative regional organisations.

Though India has been under pressure from countries like Algeria to take this decision soon, it preferred to wait in the hope that Morocco would comply with the relevant OAU and U.N. resolutions and enter into direct negotiations with the Polisario for a ceasefire and creation of the necessary conditions for holding the referendum without any administrative or military constraints from either side. The Prime Minister, Mr. Rajiv Gandhi, sent the former Foreign Secretary, Mr. M. K. Rasgotra, to Rabat to urge King Hassan to make a categorical statement at the non-aligned Foreign Ministers conference in Luanda last month setting a firm date for the referendum.

Moroccan intransigence: As no statement was made to this effect in Luanda and Morocco wanted more time to settle the modalities with the President of the OAU and the Secretary General of the U.N. before announcing the date, India agreed to wait till the end of September for the announcement. It was against this background that India decided to extend recognition to SADR yesterday, October 1, in the absence of any firm commitment by Morocco to hold the referendum on a particular date.

There is considerable regret in non-aligned circles that the relations between India, the current chairman of the movement, and Morocco, an important member of the community, have been ruptured by this unfortunate development. Though India had recalled its Ambassador from Rabat in 1969 following the treatment of its representative at the Islamic Conference, the two countries continued to maintain their diplomatic links despite their soured relations.

But in recent years Indo-Moroccan relations improved considerably with King Hassan taking a personal interest in establishing closer links in mutual interest. There were frequent exchanges of delegations to explore the possibilities of increased trade and cultural relations.

Apart from Portugal which broke off relations after the police action in Goa, the only country with which India has had a diplomatic break was Pakistan. It has had no relations with South Africa at any time after independence, while India continued its diplomatic links with China.

a lower level even after the 1962 border conflict. And in the case of Israel, too, its Consulate-General in Bombay has been allowed to continue, although India has not agreed to the opening of a regular Embassy in Delhi by it.

Phosphate lure

Sashi Kumar reports from Bahrain:

The issue of the Western Sahara, since Morocco asserted its right to the territory 10 years ago, has pitted Algeria (which has consistently backed the Polisario fighters) against Morocco and drastically influenced the power configuration in North Africa.

Ever since some 350,000 Moroccans marched into the Western Sahara in November 1975 (after Spain relinquished its control of the territory) and set up its southern outpost there, Rabat has had to defend it from Polisario attacks at increasing costs each year. King Hassan has been dependent on the United States and France for his military supplies and on

Saudi Arabia for liberal subsidies ranging between \$200 and \$500 millions a year.

In strictly military terms Morocco has attempted, with some success, to insulate the crucial phosphate rich portion of the Western Sahara including its capital, El-Ayoun, from Polisario raids by constructing a series of walls. Indeed the area is considered so safe from attacks that huge sums—some \$630 millions over the last few years—have been spent on developing El-Ayoun as a tourist centre. This brash policy would be economically pyrrhic but for the huge reserves of phosphates in the zone which, tapped and added to the indigenous output, makes Morocco one of the largest producers.

The phosphate 'carrot' has also kept Moscow from openly falling out with Morocco while nominally and even materially supporting the Polisario, initially through Libya, and after Libya and Morocco signed a unity pact, through Algeria.

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CSO: 4600/1083

INDIA

INDIAN DELEGATE ADDRESSES COMMONWEALTH FINANCE MINISTERS

New Delhi PATRIOT in English 3 Oct 85 p 1

[Text]

Male, Oct 2 (PTI) — India today called for urgently working out a programme of action for improving the resource base of the World Bank group to permit higher levels of net transfers of resources to developing countries.

The current projections that the bank's lending in the coming years might increase in real terms was "simply not acceptable".

"To permit higher levels of lending (by the World Bank group), the negotiations on a general capital increase should commence as early as possible", Minister of State for Finance Janardhana Poojary said addressing the Commonwealth Finance Ministers meeting on the second and final day of deliberations.

He stressed the importance of starting a serious dialogue and making progress towards an international conference on money and finance, the call for which was given by the seventh nonaligned summit in New Delhi in 1983.

"Events since then and the difficult state of the world economy have only

gone to confirm the urgent need for such a conference", Mr Poojary added.

He said the reports of the G-10 and G-24 dealing with crucial questions relating to the exchange rate system, further allocation of SDR (special drawing rights) and surveillance functions of the fund showed, in spite of differences in approach, there was a general recognition of the need for policy initiatives on major monetary and financial issues.

These reports provided the basis for convening a serious dialogue and an international conference on money and finance, Mr Poojary said.

Touching on the current aid climate, Mr Poojary said the prospects for higher aid or concessional assistance were not promising.

Though the International Monetary Fund (IMF) had a crucial role to play as a custodian of effective international adjustments, it also had the responsibility to ensure adequate finance to developing countries.

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CSO: 4600/1096

INDIA

UN DELEGATE ADDRESSES GENERAL ASSEMBLY 26 SEP

Bombay THE TIMES OF INDIA in English 27 Sep 85 p 16

[Text] United Nations, September 26 (PTI)--India today cautioned that outside political-military strategic interests should not vitiate "significant prospects" for South Asian co-operation.

The statement by Mr Khurhseed Alam Khan, leader of the Indian delegation, at the general assembly comes in the context of the December summit meeting of the South Asia Regional Co-operation (SARC).

The process of regional co-operation--which will culminate in the first summit at Dhaka--"holds out significant prospects for the betterment of our peoples," noted Mr Khan, the new commerce minister.

"It is important," he said, "that these developments are not adversely affected by political and military factors involving the induction of sophisticated arms serving external strategic interests."

He underlined the threat to security environment in the neighbourhood. "It is necessary that existing thresholds are not crossed or new elements of controversy introduced," Mr Khan said. "We on our part are committed to promoting good neighbourliness and harmonious relations in the area."

Arms Limitation Call

Reflecting the worldwide protest at the arms race, Mr Khan said the political climate made it "imperative for us to take bold action now." If the states most responsible for creating the threat were as yet unprepared to act, "others should take the lead."

New generations of weapon systems had come into existence and militarisation of outer space appeared imminent. A whole range of new strategic concepts were being built. Calling for a start of the process of reduction of nuclear arsenals, the Indian statement proposed a commitment by leaders of major nuclear weapon states to follow "a path of arms limitation rather than arms build-up."

Even a token reduction in arms expenditure could produce dramatic results if channelised into development of the less affluent sections of the world.

Mr Khan hoped that the November summit would give "a significant impetus" to the negotiation process.

Expressing concern over the world economic environment, the minister said the weakening of the commitment to international economic co-operation and an erosion of the multilateral system was a deeply disturbing trend.

He called for rectification of "inadequacies and malfunctioning" of the international monetary and financial system as part of immediate efforts and proposed high level discussions during this session to help start the process for convening an international conference on money and finance for development.

Pretoria's Policies

Mr Khan recalled with pride how India had led the way in 1946 by becoming the first country voluntarily to impose comprehensive sanctions against South Africa.

Clearly, policies such as those of 'constructive engagement'--pursued by the Reagan administration in U.S. seeking to influence the Pretoria regime through diplomatic persuasion--had "failed." Comprehensive mandatory sanctions were the only answer.

He suggested it was incumbent on the security council to meet again now that South Africa had once again spurned its call to implement the 1978 UN resolution for peaceful settlement of the Namibian question.

On other issues, Mr Khan pledged India's support to an international peace conference on the Middle-East under the auspices of the United Nations, recalled the repeated initiatives by India along with other non-aligned countries to resolve the Iran-Iraq war and also stressed that the problems of Central America could only be resolved by peaceful means through political dialogue and negotiation.

Mr Khan also expressed India's "great concern" at the destabilising and escalating great power military presence in the Indian Ocean.

He underlined the need for participation of all the great powers in the proposed international conference on the Indian Ocean in 1986 in Colombo. The presence of military bases, command structures and other forms of military presence against the express wishes of the countries of the area only added to the tensions already prevailing in the Indian Ocean littoral and should be progressively reduced and eliminated, the Indian minister added.

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CSO: 4600/1068

INDIA

PAPERS REPORT ON CPI-M, CPSU RELATIONS

Discussions in Moscow

Calcutta THE TELEGRAPH in English 3 Oct 85 p 1

[Text]

Moscow, Oct. 2 (PTI): The Communist Party of India (Marxist) yesterday concluded its first ever party-level negotiations with the Communist Party of the Soviet Union (CPSU) on their future inter-relationship and some organisational issues of mutual interest.

Members of the CPI(M) Central Committee delegation led by Mr Jyoti Basu, the West Bengal chief minister, will now report to the Central Committee already in session in New Delhi.

Asked about the nature of future CPI(M)-CPSU relations Mr Basu told PTI: "We shall see." He said his delegation's discussions here with the international and organisational departments of the Central Committee of the CPSU covered the 27th Soviet Party Congress to be held next February. He parried the question on whether he was carrying an invitation for a CPI(M) delegation to attend the Soviet congress.

Asked if the CPI(M) will invite a CPSU delegation to its own party congress in December, Mr Basu said: "Our Central Committee now in session will decide about the issue of invitations."

The CPI(M) delegation had its first round of negotiations here with Mr Boris N. Ponomayev, chief of the international depart-

ment of the Central Committee of the CPSU, on September 25. Prof. Rostislav Ulyanovsky, a deputy chief of the department and Mr Pyotr Kutsobin, chief of the department's Asia sector, were present.

The other CPI(M) delegation members are Mr Shantimoy Ghosh (MP), head of the Kisan wing, Mr Umanath of Tamil Nadu, Mr Nrisingha Chakraborty, trade union leader, and Mr E.K. Nayanar, former chief minister of Kerala.

Although CPI(M) delegations have been here previously at the invitation of the Indo-Soviet Friendship Society and individual members including Mr Basu have come here for rest and recuperation, it was for the first time that a CPI(M) delegation came here at the invitation of the CPSU Central Committee and held discussions at a fairly high level.

Mr Basu denied that the talks covered CPI(M)-CPSU relations. He said his delegation had explained to the CPSU representatives that their party had differences with the Congress(I) government on economic affairs but supported the latter's non-aligned foreign policy.

Basu in Delhi: Mr Jyoti Basu returned to New Delhi today.

CPI-M Isolation Ends

Calcutta THE TELEGRAPH in English 3 Oct 85 p 1

[Article by Tarun Ganguly]

[Text]

Calcutta, Oct. 2: The isolation of the CPI(M) in the international Communist movement has come to an end with its first ever party-level negotiations with the Communist Party of the Soviet Union (CPSU) in Moscow yesterday.

Since the formation of the CPI(M) in 1964, it has been officially recognised only by the North Korean and Romanian Communist parties. It has fraternal relations with the Communist Party of China (CPC) but the two parties have no official relations, which in Communist jargon is known as party-to-party relations.

Political observers here are optimistic that the recently concluded negotiations will eventually lead to official ties between the CPI(M) and the CPSU. It is, however, contended that since the CPSU already has official ties with the CPI, and the Soviets follow the principle of recognising only one Communist party in a country, it might take some time to formalise such ties with the CPI(M). Only in the case of Japan, has the CPSU recognised two Communist parties.

By successfully concluding party-level negotiations with CPI(M), the CPSU has also made it clear to the CPI that it cannot take CPSU support for granted. The CPI, which has often been described by its detractors as an extension of the Soviet Union's foreign policy, has lately been

trying to show its independence from the international party line framed in Moscow. In fact, after Mrs Gandhi came back to power in 1980, the CPI, which was one of the staunchest supporters of the Emergency in its early stages, emerged as her most vocal critic. An angry Mrs Gandhi drew the then Soviet President, Mr Brezhnev's attention to this during his visit to New Delhi in the winter of 1981. The CPI, under the leadership of Mr C. Rajeswara Rao, reacted by adopting an even more critical attitude towards the Congress(I) at the party congress in Varanasi in 1982.

The CPI(M), which had been maintaining an official line of equidistance from Moscow and Beijing, sent a delegation to Moscow in August 1982 led by Mr Jyoti Basu. It had talks with Mr Boris Ponomarev and Prof R. Ulyanovsky, two specialists of the CPSU on south Asian affairs. Yesterday, the CPI(M) delegation led by Mr Basu finalised its first ever party-level negotiations with the same two Soviet leaders.

The CPI(M) in the past few years has cultivated both the CPSU and the CPC. But at the same time, the Indian Marxist party has all through unequivocally expressed its dissatisfaction over the Chinese leaders' hobnobbing with the United States.

The CPI(M)'s disaffection with the CPC started way back in 1969, when Radio Beijing openly supported the Naxalites and criticised the CPI(M). Relations improved after the death of the Chinese leader, Mao Zedong. But the CPI(M) again started becoming apprehensive about the CPC during the Nixon era. In 1978, after an unofficial visit to China, Mr P. Ramamurty, then member of the CPI(M) politburo, observed, "What can we get from China?" Subsequent CPI(M) efforts to continue a dialogue with the CPC (Promode Dasgupta's visit in 1982) came to nothing.

In the past couple of years, a number of CPI(M) trade union and youth delegations have visited Moscow. But during the same period relations between the CPSU and the CPI have cooled. Mr Rajeswara Rao, CPI general secretary, was practically sidetracked at the 26th congress of the CPSU. Political observers maintain that the CPSU did not appreciate the way Mr S.A. Dange was removed from the chairmanship of the CPI and then unceremoniously thrown out of the AITUC.

As things stand, with the CPSU coming closer to the CPI(M), relations between the CPI(M) and the pro-Moscow Communist parties in the Third World, as also those in the Soviet Bloc, will improve and the CPI(M) will get the international recognition that it has been striving for.

Delegation Returns From Moscow

New Delhi PATRIOT in English 3 Oct 85 p 1

[Article by Arindam Sen Gupta]

[Text]

The CPI-M delegation, which had extensive talks with top Soviet leaders during its eight-day visit to the USSR, feels that the coming 27th Congress of the CPSU will be epoch-making as it will give a call for a march from advanced socialism to communism by the year 2000 AD.

To reach this final stage of socialist development, the 27th Congress, to be held in February, 1986, will raise the slogan for intensification of labour productivity, said CPI-M central committee member Nrisingha Chakravarty, who was part of the five-member delegation which returned from Moscow on Wednesday.

Mr Chakravarty said that during a two-and-a-half hour talk with Soviet leaders, including CPSU central committee member and alternate member

of the politburo Boris Ponomarev, the delegation was shown figures of productivity in the last 15 years in the Soviet Union. "The rate of increase was so high that the Soviet party feels on that basis it can achieve communism by the turn of the century," he said.

The 27th Congress will also lay stress on the personal behavior of Soviet communists, the delegation was told. Also present at the meeting were Prof R Ulyanovsky, deputy chief of the international department of the CPSU central committee, and Mr P Kutsobin, chief of the department's Asia sector.

The other members of the Marxist delegation were West Bengal Chief Minister and the team's leader Jyoti Basu, former Kerala Chief Minister E K Nayanar, Kisan Sabha chief Shantimoy Ghosh and Tamil Nadu State unit chief Umanath.

Marxist observers in India attach great importance to the proposed tran-

sition to communism by the Soviet Union. It would necessitate, they say, normal and cordial relations with China as communism is not possible in a country ringed by hostile powers.

The CPI-M delegation was also given to understand that the Soviet Union is on most friendly terms with the Indian Government and the change at the helm has made no difference to its perception of the ruling Congress party. The Marxists, however, disagreed with the Soviet assessment of the Indian Government, said Mr Chakravarty.

He explained that the Soviets, for the present, do not wish to go into the class character of a Government as long as it was an ally of the Soviet Union. He, however, felt that this difference between the CPSU and the CPI-M would not affect relations between the two parties which were "now closer than ever before".

He also said that Mr Jyoti Basu had talks with the chairman of the largest Soviet power equipment manufacturing plant for setting up of power projects in West Bengal. He hinted that the Soviets were agreeable to Mr Basu's proposal, but it would depend on the Centre's approval.

Mr Basu, however, refused to be drawn into a discussion on the subject, merely saying that he had met the chairman of the plant.

The central committee, presently in session, will decide whether an invitation be sent to the CPSU for the CPI-M 12th Congress, to be held in Calcutta this December, said Mr Chakravarty. He added that his party had not, so far, received an invitation from the CPSU for its Congress.

Calcutta THE STATESMAN in English 5 Oct 85 p 1

[Text]

NEW DELHI, Oct. 4.—The Communist Party of India (Marxist) has asked the Communist Party of Soviet Union for a fraternal goodwill message for its 12th party congress to be held in Calcutta in January.

This is the first occasion in the 21 years since its inception that the CPI(M) will be asking for the message of greetings from the Soviet Communist Party. There is still no official party-to-party relationship between the CPI(M) and the CPSU.

The CPI(M) will now receive for the first time after its formation the message of greetings from the world's two biggest Communist parties for its Calcutta congress.

The central committee also decided not to invite for the CPI(M) congress delegations from fraternal Communist parties in the world. Mr B. T. Ranadive, member of the CPI(M) politburo, said today his party had not been inviting fraternal delegations from Communist parties for the party congress. No one in the central committee thought of changing the existing practice.

/9317

CSO: 4600/1096

INDIA

DRAFT POLITICAL RESOLUTION FOR CPI-M CONGRESS REPORTED

New Delhi PATRIOT in English 4 Oct 85 p 5

[Text]

The draft political resolution which is being finalised by the CPI-M central committee for the party congress in December has said there was growing 'bureaucratism' in the party organisations which was stifling the rights of the individual members. It said that this bureaucratism was being often defended in the name of fighting anti-party activities.

The document notes that 'federalist tendencies' were emerging inside the party because individual units and committees were at times taking decisions that went contrary to the party line. This, in the final analysis, was undermining the principle of 'democratic centralism'.

"Liberalism, individualism and opportunism", were some of the other ills that have entered the party. The established norm to review all mass actions and party activities so that mistakes can be corrected through self-criticism, was rarely being observed.

This sharp criticism of the working within party organisations comes in the wake of the realisation that the directives of the Salkia plenum were not being followed seriously. Even ideological struggle against obscurantism, fundamentalism and feudal tendencies were being hesitatingly carried out though these affected the democratic rights of the people.

On the main, however, the political resolution makes no departure from the understanding on the national and international political situation that was arrived at the previous Vijayawada congress.

The document which assesses the Congress as 'authoritarian' and warns against the 'opportunistic' tendencies among the Opposition, sees the possibility of limited joint action with the 'secular' ones among them, stresses on the need for unity among Left parties, especially with the CPI, and calls for utmost caution against the threat to national unity and integrity from imperialist and secessionist forces.

Though the ascendancy of Mr Rajiv Gandhi to the helm of the Congress has aroused the hope in many that something new was happening and they genuinely believed the promise of a 'new and clean administration', the growing economic crisis which has led to the new economic policy will heighten the 'contradictions between the people and the ruling party'.

More stringent steps: In the face of growing disillusionment and opposition from the people, the document has said, the ruling party will take recourse to more authoritarian steps. It will also lead to curtailment of civil rights and attacks on the working class as also to a heightened drive for "one-party rule".

The foreign policy of the present Government cannot be taken for granted. The document has said that not all within the Congress are committed to the policy of non-alignment as there were many with pronounced pro-West leanings.

More disconcerting was that the ruling party has not made the foreign policy a cause with the masses, while

the Opposition was mostly against the non-aligned policy and would prefer a pro-West tilt.

The pressures from the imperialists are making the ruling party compromise with them, the document notes. This was evident from the liberalisation of the economy and the seventh Plan which gives a virtual go-by to planned development. It expresses concern that the Plan for the first time depends on 53 per cent of the investments from the private sector.

Though it is being described as a job-oriented one, it was really a job-killing plan which relied heavily on computerisation and automation that will naturally take a toll on employment. It also contains no proposal for radical land reforms.

Stress on Left unity: The document has greatly stressed the need for Left unity. Though in the last four years unity among the Left forces has grown in all States, barring Tripura, Andhra Pradesh and Assam, it was necessary to accelerate the process now as the threat from 'authoritarianism' and dangers to national unity were looming large.

It has noted "vaccinations, misunderstandings and conflicts" between

the CPI M and the CPI and has explained that these have stemmed mainly from differing assessment of the immediate political situation which have led to the two parties taking different tactical lines. That apart, the two parties differed in their assessment of the 'stage of the revolution' and 'its class needs'.

But there were many points where the perception of the two parties coalesced. These were, defence of the foreign policy, secular outlook to national unity, common concern for world peace, commitment to friendship with the socialist countries and fight against imperialism.

The document, however, expresses concern that the grass-root-level bodies of the two parties have not acted in a concerted fashion in order to make the real influence of the parties being felt.

On the trade union front, the document notes that the CITU has reached a "plateau" and does not know how to cross it. The reference is to the stagnating membership as also to its failure to impart political education to the workers who rally behind it. The same is the case with the Kisan Sabha which has not grown satisfactorily in the last four years.

/9317

CSO: 4600/1097

INDIA

COMMUNIST PARTIES COMMENT ON PUNJAB ELECTIONS

New Delhi PATRIOT in English 29 Sep 85 p 5

[Text] While the CPI-M has explained its debacle in the Punjab poll and the indifferent showing of the left in general as the outcome of the "complete polarisation on communal lines" in the State, the CPI has said the election results were a welcome development as the voters showed regard for the country's unity and integrity and Hindu-Sikh unity.

In separate statements issued on Saturday, both the parties have, however, described the landslide victory of the Akalis as a sharp rebuff to the disruptive forces which gave the boycott call. The two parties have also said they will judge the Akali Dal by its performance and support all steps taken by its Government to build communal harmony.

The CPI-M has said the communal polarisation in Punjab was a result of the tragic happenings in the last four years. While killings of innocents by the extremists, the Akali Dal's politics of religion and its refusal to condemn terrorism contributed to the communal divide on the one hand, the Centre's dilly-dallying with the Punjab tangle, Operations Bluestar and the November riots contributed on the other.

The Akali victory was possible because the party could effectively convey the impression that all that was gained through the Punjab accord was due to its efforts, the Marxists have said.

/9317

CSO: 4600/1075

INDIA

REPORT ON FINANCE MINISTER'S SPEECH IN SEOUL

Bombay THE TIMES OF INDIA in English 10 Oct 85 p 9

[Text]

SEOUL, October 9 (PTI).

THE Indian finance minister, Mr. Vishwanath Pratap Singh, today said that economic recovery in industrial countries in the past two years gave a false sense of complacency about the working of the international economic system.

The actual situation called for consistent and co-ordinated actions by the industrial countries, he told the plenary session of the World Bank-IMF joint annual session here this morning.

Referring to adjustment and reform, the minister said it is often forgotten that it is not only the developing countries but also industrial nations which need to adjust.

Mr. Singh charged that protectionist pressures in industrial countries arise because of their reluctance to adjust. These are then projected as political compulsions, he added.

G-24 REPORT

Mr. Singh said the point he was making has been brought out eloquently in the Group-24 (developing countries) report on the functioning and improvement of the international monetary system.

The finance minister said the key issue was how to revive the faltering recovery and make it durable and self-sustaining. In view of the predominant economic impact of the policies of major industrial countries, the situation calls for consistent and co-ordinated actions by them.

Equally important is the urgent need to meet the liquidity requirements of developing nations. It would be necessary to enhance resource (capital and

technology) transfers to developing countries.

HIGH PRICE TO PAY

The minister said emphasis only on adjustment often led to import compression, financial stringency, lowering of growth and spread of unemployment and economic deprivation among the poor entailing social and political costs which no government based on democratic principles could ignore.

Turning to specific issues Mr. Singh said: "It was unfortunate a decision was taken to constrict developing countries access to fund under enlarged access policy. It was also regrettable that in spite of the majority view in the IMF additional special drawing rights allocations should make no progress.

Mr. Singh suggested reports from the IMF interim and also from the development committees be jointly examined at an appropriate forum like a specially convened international conference.

OPECNA adds: Mr. Jacques de Larosiere, managing director of the IMF, called for all out efforts to sustain the growth of the world economy.

Addressing the opening session of the annual meeting, Mr. de Larosiere said the world economy in the past year had displayed a combination of notable progress in certain areas and growing uncertainty in others.

UNI adds: Meanwhile, in what appeared to be the first public disagreement between the United States and Britain, the British governor of the IMF today said his country was sceptical about the implementation of the Baker plan.

/9317

CSO: 4600/1094

INDIA

BJP EXECUTIVE COMMITTEE SHIFTS POLICY

Bombay THE TIMES OF INDIA in English 10 Oct 85 p 1

[Text]

GANDHINAGAR, October 9.

IN a major ideological shift, the Bharatiya Janata Party today abandoned "Gandhian socialism" as one of its major objectives and resolved to follow "integral humanism" propounded by Pandit Deendayal Upadhyaya as the party's basic philosophy.

The decision was taken at the two-day executive committee meeting here during which sharp differences came to light over the party's ideology and its politics of alliances and adjustments.

The party president, Mr. A. B. Vajpayee, who had guided BJP's policies for the last five years, came under sharp criticism. Ultimately, Gandhian socialism as one of the party's aims was dropped. Instead, it decided to adopt the Gandhian approach to socio-economic issues leading to the establishment of an egalitarian society.

Briefing newsmen after the meeting, Mr. L. K. Advani, general secretary, tried to explain the shift in the party's ideology by saying that Gandhism and socialism are two contradictory terms. Gandhism meant decentralisation and socialism stood for centralisation. Therefore, the party had tried to correct its mistake, he said.

The ideological discussion was based on a 48-page report prepared by a working group which had taken strong exception to the party forging electoral understanding with other democratic opposition parties and particularly the formation of NDA, which meant that the party could not do much on its own and, therefore, had gone for soft options. This was further construed as going in for opportunistic and unworkable alliances, the report said.

RECIPROCAL RELATIONS

To allay fears of the rank and file about the future of the party, Mr. Advani said the BJP's relations with other parties from now on would be based on mutuality and reciprocity. "Our experience in Karnataka shows that there is no place for altruism in politics," he added.

The executive also endorsed the working group's view that nothing should be done to raise apprehensions about the separate identity of the party.

Replying to questions, Mr. Advani, however, said the executive had not given any clear direction for future adjustments with other opposition parties and electoral adjustments could not be ruled out completely. He said the executive had not discussed the question of elections in Assam. The party would frame its electoral policy after consulting the BJP's representatives in that state.

The working group also considered Mr. Vajpayee's remarks on whether the party's defeat was caused by its decision to merge the Jana Sangh with the Janata Party in 1977 and its withdrawal in 1980. And also whether the BJP should go back and revive the Bharatiya Jana Sangh.

SILENT STANCE

Though the working group and the executive justified the merger and withdrawal decisions, it remained silent on reviving the Jana Sangh. This point was not elaborated by Mr. Advani. He merely remarked that the Jana Sangh would also have taken the decision to abandon Gandhian socialism as one of its main objectives.

About the BJP's relations with the RSS, Mr. Advani said there was no basic change in the party's policy. "We have parted company with the Janata Party over the Dal membership issue and the BJP had come into existence because of the RSS", he said. He was proud of his links with the RSS, he added.

Releasing the resolution adopted by the executive, Mr. Advani said the party was committed to nationalism and national integration as well as democracy. It will follow the Gandhian approach to socio-economic issues, positive secularism and value-based politics.

The executive also discussed the shortcomings of the party pointed out by the working group which had, among others, listed the communication gap between the leadership and the grassroot workers.

The working group said the party's stand on the Punjab issue was patriotic and sound and actuated by national interest though, electorally, it had proved very costly.

Mr. Advani, differed on this and said the party had fared well in Punjab and it would work as an effective opposition in the assembly. He, however,

concurred with the group's opinion that the BJP's inability to capture power in Himachal Pradesh in 1982 and in Delhi in 1983 had greatly upset and affected the morale of the workers.

Mr. Advani said the executive also discussed an action plan for the next five years for organisational matters, electoral front and agitation programmes. The plan, approved by the committee, will now be discussed by the working group for four days. The action plan envisages adoption of "positive secularism".

Mr. Advani made a frontal attack on the Congress party for "spreading lies" on the eve of the Lok Sabha and assembly elections in Punjab and for adopting a "communal stance" under the "garb of secularism".

He alleged that the Prime Minister and other top Congress leaders went round propagating that the BJP had supported the Akali Dal. The canard spread by the Congress had adversely affected the BJP's prospects.

He said the BJP was committed for Hindu-Sikh unity and would strive to further strengthen it.

Replying to a question, he reiterated the party's decision that India should go nuclear in view of the fact that Pakistan was moving rapidly in that direction too.

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CSO: 4600/1094

INDIA

MNF CIRCULATES DRAFT AGREEMENT TO POLITICAL PARTIES

New Delhi PATRIOT in English 2 Oct 85 p 5

[Article by Sujit Kumar Chakraborty]

[Text]

Aizawl, Oct 1 — The MNF peace forum office has recently circulated copies of the draft agreement of on-going peace talks between the Centre and Mr Laldenga among some "selected political parties" in Aizawl.

This correspondent managed a typed copy of the draft accord which was marked "confidential". Ten points have been elaborated in details in the draft agreement.

(1) The draft agreement envisages the Government of India has agreed to confer statehood on the Union Territory of Mizoram, subject to the other stipulation in the succeeding paragraphs.

(2) With a view to restoring peace and normalcy the Mizo National Front will take all necessary steps to bring out all underground rebels with their arms and ammunitions. The modalities of bringing out all rebels and laying down of arms will be worked out in detail and a committee will be set up to implement the process.

(3) The Centre will take measures for the withdrawal of all pending cases against MNF members, release all MNF members who were detained in various jails and shall pardon those convicted in connection with MNF uprising since 1966 to 1981 and further agreed not to take cognizance of any offence that might have been committed by MNF members during the course of movement.

(4) The government has assured re-settlement and rehabilitation of the MNF personnel including the next kins of those killed during the movement and shall grant gratuities relief to persons whose houses and other properties had been destroyed. Accordingly a plan will be drawn up in this regard.

(5) President's rule shall be brought into force and the present Assembly shall be dissolved. The Mizoram administration shall be carried on by the Lt Governor with the help of a council of advisors headed by Mr Laldenga which shall enjoy same powers and privileges like the council of ministers.

(6) Border trade in locally produced or grown agricultural commodities could be allowed subject to international agreement with the neighbouring countries.

(7) The Union Government will continue to exercise in Mizoram like other States of India for deployment of armed forces and other agencies for protection of safety, security and integrity of the country. But except in case of emergency or external aggression, deployment of para military forces including the Central Bureau of Investigation in Mizoram shall be made only after taking concurrence of Mizoram Government.

(8) Incorporation of Mizo-inhabited areas of other States with Mizoram in order to form one administrative unit was discussed. In view of the article three of the Constitution of India this matter shall be taken up later.

(9) A bill for the amendment of the Constitution will be introduced in Parliament for the declaration of statehood on the Union Territory of Mizoram with appropriate modification and additions including — the territory of Mizoram shall consist of the territory specified in the North Eastern Reorganisation Act 1981 together with the inner line forest reserve as notified in Assam gazette. There should not be any act of Parliament in respect of religion and social practices of Mizos, Mizo customary law or procedure, administration of civil and criminal justice involving decisions in accordance with the Mizo customary law and the ownership and transfer of land and its resources shall be applied by the Government of Mizoram. The legislative Assembly of Mizoram shall have the power to make law to safeguard the native of Mizoram in matters relating to employment under the Government of Mizoram, grant of scholarships and other form of aids, trade and commerce, settlement in Mizoram with acquisition of immovable properties. All matters relating to or in connection with elections to the State Assembly including preparation of electoral rolls, delimitation of the constituencies and appointment of election tribunals. Notwithstanding anything contained in

the Constitution the inner line regulation, the Chin Hills Regulation 1896 and the Bengal Eastern Frontier Regulation 1873 shall continue to remain in force.

The Mizoram Assembly shall have the power to make law for creation or abolition of the autonomous district councils in Mizoram. Amendment of the constitution which may effect the agreement shall be made with the consent of the members of Mizoram Assembly. Provision of official language shall apply in Mizoram, the official language of the Union official language for the Union, the official for the communication between State and the Union, the language of the proceedings of the Supreme Court and the Mizo language shall be included in the 18th schedule of the Constitution of India.

The total Assembly constituencies will be forty instead of sixty. Mizoram shall be allotted one seat in the House of the people and two seats in the House of the Council of States. Mizoram State shall have its own symbol, flag, university and high court. In case of the failure of the Constitution machinery the President shall assume power. In case of dissolution of ministry the fresh polls shall be held within six months for the date of assumption of power by the President.

(10) To supplement the revenue of Mizoram the Government of India will pay out of the consolidated fund of the Centre. A grant-in-aid to meet the cost of administration and a lump-sum amount each financial year for development programmes should be sanctioned.

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CSO: 4600/1084

INDIA

AASU LEADERS RESIGN TO PAVE WAY FOR NEW PARTY

Calcutta THE TELEGRAPH in English 10 Oct 85 p 1

[Article by Aniruddha Mookherjee]

[Text]

North Lakhimpur, Oct. 9: The president and general secretary of the AASU, Mr Prafulla Mahanta and Mr Bhriagu Phukan, and the 45-member executive committee that spearheaded the seven-year-old movement, today resigned to pave way for the new regional party.

The delegate session of the AASU recommended that the AAGSP be dissolved and resolved that the new committee of the AASU be delinked from the AAGSP. A copy of the resolution would be sent to the executive committee of AAGSP. The delegates also praised the role of AAGSP in the movement.

In another resolution, the AASU condemned the arrest of its supporters after the accord. The resolution said, "After the signing of the accord, several persons have been kept behind bars and many more fresh arrests are being made. The sabha expresses great concern and demands that the Centre take immediate action to prevent the arrests and release prisoners."

The session deemed the 1983 elections illegal and said the Congress(I) government headed by Mr Hiteswar Saikia was invalid. It also condemned the caretaker government for spreading the rumour that the Assam accord affected the interests of the minorities. The delegates appealed to the people not to pay heed to such propaganda. A resolution praising the outgoing executive committee for its role in bringing about the accord was passed.

The session exhorted the people of Assam "to keep vigil so that evil forces do not create a misunderstanding among the people who have been used to living in peace and harmony."

The delegates' session, which continued late into yesterday night and resumed early this morning, resolved that the responsibility of implementing the Assam accord rested on the newly-elected body of the AASU.

The meeting also paid homage to the martyrs of the movement

and expressed sympathy and gratitude to those who had been maimed during the agitation. The meeting expressed full support to those government officers who had taken part in the movement and had, consequently, been victimised by the government. The meeting decided to observe August 28 as Shahid Smaran Divas (Martyrs' Memorial Day) every year.

PTI adds: The deputy election commissioner, Mr V. Ramakrishnan, accompanied by the Election Commission secretary, Mr C.L. Rose, left New Delhi this morning for Guwahati on a two-day visit to Assam to review the progress of the electoral roll revision.

Mr Ramakrishnan said before his departure for Guwahati that a total of 8.25 lakh claims had been received by the commission till September 27 and 5.5 lakh of them have been disposed off. Similarly 11.40 lakh objections had been received and of them 1.83 lakhs have been disposed off.

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CSO: 4600/1095

INDIA

CHAKMAS IN MIZORAM DEMAND SEPARATE UNION TERRITORY

New Delhi PATRIOT in English 6 Oct 85 p 5

[Text]

Aizawl, Oct 5—About 55,000 Chakmas living in the western border of Mizoram with Burma and Bangladesh have demanded a separate Union Territory for them with the inclusion of the excluded Chakma inhabited areas within the present Chakma District Council.

Chakma District Council chief executive member Pulin Bayan told this correspondent that they had met Prime Minister Rajiv Gandhi in August last and submitted a memorandum with six demands. The other important demand was greater autonomy as per the Sixth Schedule of the Constitution.

It also included the demand for better road communication in Chakma areas.

The separate Union Territory demand was first voiced by the chakmas in 1983. The proposed areas for the Chakma Union Territory are Demagiri, Marapara and Tuipuibari, Chhimpuithui areas including the present Chakma District Council. The entire area will be about 3000 sq km.

Mr Bayan said about 20,000 Chakmas were living in the district council areas while about 35,000 were living outside the council areas covering three districts.

He said the State Government was not paying any attention for the upliftment of the poor Chakma tribes.

Mr Bayan said while in the sixth Five-Year Plan the total allocation by the State Government for the Chakma District Council was Rs 26 lakh, in the first year of the seventh Plan the total allocation has been finalised at Rs 5,44,000 only.

The communication system in the Chakma areas is so bad, that one has to cover 235 km long serpentine road by bus, then about 53 km by walk and finally cross small stream to by boat to reach the district council headquarters, Kamla Nagar. There is also no educational facilities except two Bengali medium middle class schools.

Mr Bayan and two Chakma MLAs, Mr Hare Krishna Chakma and Mr Arun Bikash Chakma told this correspondent, that there was no major change even after the Congress came into the power in the State. However, they said, Chief Minister Lalthanwala is trying utmost for their upliftment. The MLAs, who was on Congress tickets, alleged that not a single minister of the present government has ever visited the district council areas.

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CSO: 4600/1090

INDIA

PAPER REPORTS CHANGE IN ASSAM GOVERNMENT

Calcutta THE STATESMAN in English 1 Oct 85 pp 1, 9

[Text] Guwahati, Sept 30--The strength of the Assam Ministry was reduced to 10 today with the Governor, Mr Bhishma Narain Singh accepting the resignation of seven Ministers of State on the advice of the Chief Minister, Mr Hiteswar Saikia, reports PTI.

The strength of the Ministry was earlier scaled down from 37 to 17 after dissolution of the Assam Assembly, following the political understanding reached between the Prime Minister and the agitation leaders as part of the accord on the foreign nationals issue.

The Assam movement leaders had made persistent demands to further reduce the strength of the caretaker Assam Ministry.

Mr Hiteswar Saikia today sent the resignation letters of the seven Ministers of State to the Governor at Raj Bhavan here, recommending their acceptance.

Earlier, the seven Ministers had requested the Chief Minister to relieve them of ministerial responsibilities to enable them to devote more time to their respective constituencies and explain in detail the Assam accord to the people. They said this was necessary because of the misgivings regarding the accord among some sections of the people, especially the minorities in the State.

The Ministers of State whose resignations were accepted are Professor Ibrahim Ali, Mr Nepal Chandra Das, Mr Mithias Tudu, Mr Kul Bahadur Chetri, Mr Luis Islari, Mr Kabir Chandra Rajpradhani and Mr Darsing Terang.

The Cabinet Ministers in the one tier present caretaker Ministry are Mr Hiteswar Saikia, Chief Minister, Mr Md Idris, Mr K.C. Gogol, Mr Mukul Sharma, Syeda Anwara Taimur, Mr R.N. Barumatary, Mr Sadhan Ranjan Sarkar, Mr Dipak Morormo, Mr G.C. Langthasa, and Mr A.M. Mazumdar. The portfolios of the Ministers will be reallocated later.

Meanwhile the State-level Convention of the Minority Communities of the Assam today called upon all the democratic and progressive forces, parties and organizations in general, and religious, linguistic and ethnic minorities in particular, to observe a protest day throughout Assam on October 18 to protest against the Assam accord.

Announcing this at a Press conference at the end of the two-day State-level convention here, Mr A.F. Golam Osmani, working president of the convention, alleged that the Assam accord was "illegal, undemocratic and unconstitutional" as "it would deprive lakhs of Indian citizens, belonging to all sections of minorities of their franchise right."

He said that the convention called upon the people to boycott all meetings organized by the "pro-accord organizations and leaders who have let down the cause of the minorities."

However, a seven-member delegation of the All-Assam Students' Union, led by its president, Mr Prafulia Kumar Mahanta, today called on the Governor and requested him to expedite implementation of the Assam accord.

The delegation urged the Governor to withdraw all cases of disciplinary action taken against the Government employees in connexion with the agitation on the foreign nationals' issue and ensure that there was no victimization. It also requested Mr Singh to sanction ex-gratia payment to the next of kin of those killed during the agitation.

An AASU spokesman said the Governor assured the delegation that all possible measures had already been taken for speedy implementation of the accord.

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CSO: 4600/1077

INDIA

PAPER REPORTS ON DEVELOPMENTS IN KASHMIR

Deputy Speaker Supports Abdullah

Bombay THE TIMES OF INDIA in English 2 Oct 85 p 1

[Text] Srinagar, October 1--The first cracks in the ruling Shah regime appeared today when the deputy speaker of the legislative assembly, Mr Malik Ghulam-Ud-Din, quit the National Conference (Khaleda) and rejoined the fold of Dr Farooq Abdullah, former chief minister.

Mr Ghulam-Ud-Din has, however, not quit the deputy speakership. He made the announcement this morning at a hurriedly convened press conference in his chamber in the legislative assembly. He had joined the National Conference (Khaleda) on July 5 last year.

Today, the Panther's Party chief Mr Bhim Singh, was at hand, sitting by the side of the deputy speaker. He prompted him on several occasions. Also present were two MLAs from the Farooq faction, including the former speaker, Mr Wali Mohammad Ittoo, who later showered flowers on Mr Ghulam-Ud-Din.

Strength Now 33

The strength of the National Conference (Farooq) in the assembly has now gone up to 33 with Mr Ghulam-Ud-Din's entry. The ruling National Conference (Khaleda) now has the support of 42 MLAs including 26 Congress members. There are two independent members and one seat is vacant. Thus with four more members quitting the NC (Khaleda), the government can fall.

Dr Farooq Abdullah is away and is likely to return in a couple of days. After visiting New Delhi, he has gone to Sanawar where his children are studying.

Among the reasons he cited for quitting the NC (Khaleda) were the increasing activities of anti-national and secessionist elements, particularly the hoisting of Pakistani flags on August 14 and 15, bomb blasts, "curtailment" of civil liberties, the suspension of three opposition members during the recently-concluded budget session, deterioration in the law and order situation, erosion of article 370, mounting corruption and failure on the economic and development fields.

He regretted that the government had "miserably failed" to apprehend the culprits responsible for the large number of bomb blasts which had rocked different parts of the state during the past one year. He said the activities of anti-national forces could result in tension between the Centre and the state.

Regarding the suspension of three MLAs, he said the government had created a needless constitutional crisis by coming into open confrontation with the high court. The court's ruling staying the suspension was not implemented by the house.

Support to Shah

Bombay THE TIMES OF INDIA in English 5 Oct 85 p 14

[Text] Srinagar, October 4--The National Conference (Khalida) yesterday sought to close ranks in the wake of the "defection" of the deputy speaker of the assembly, Malik Ghulam-Ud-Din, by holding a meeting of its legislature party at which "unflinching support" was extended to the chief minister, Mr G.M. Shah, and his policies.

The meeting, presided over by Mr Ali Mohammad Naik, also felt that the present alliance with the Congress should be strengthened further to promote better and faster development of the state. The alliance would also help and strengthen the secular and socialistic character of the state.

Taking stock of the situation arising from the "defection" of the deputy speaker, the meeting, according to a press release, felt that Mr Ghulam-Ud-Din had taken this action after being denied a ministerial berth. He had made another attempt to secure a ministerial berth just before his "defection" but the chief minister had turned down his request.

The meeting held that "interested parties" had been spreading rumours for the past 15 months with the intention of creating uncertainty about the future of the ministry. These rumours had proved baseless and were the creation of frustrated politicians.

The party also welcomed the statement of Mr Oscar Fernandes, corrupt Congress general secretary, to the effect that the alliance of NC (K) and the Congress in Jammu and Kashmir would not be effected in the least by the resignation of the deputy speaker.

Meanwhile, there is no doubt that the ruling party had received a jolt by the resignation of Mr Ghulam-Ud-Din. Since his "defection," a wary eye is being kept on all the ministers to check their loyalty.

Leaders of the Congress in New Delhi and its partymen at the local level have been speaking with discordant voices about the alliance. Though local Congressmen, because of the fear of disciplinary action do not speak their minds publicly on the performance of the Shah ministry, they ventilate their grievances quite vehemently in private.

At the same time, many of Mr Shah's ministerial colleagues do not see eye to eye. With the ailing deputy chief minister Mr D.D. Thakur in New Delhi for treatment of a heart ailment, and the former chief minister, Dr Farooq Abdullah also there, political observers are keenly awaiting the outcome of the talks both will have with the Central leaders.

Dr Abdullah has deliberately adopted a low profile over the resignation of the deputy speaker and the support he has extended to him. In the recently-concluded assembly session, he had dangled a bait before all those individuals who had left him last year.

Intervening on one occasion in the assembly, when tempers were running high on both the treasury benches and the opposition, the former chief minister had remarked in an extremely conciliatory tone that those sitting on the treasury benches had left him due to differences but these were of minor consequences. This stance of his was a radical departure from what he had been remarking about his former colleagues since his ouster last year.

Meanwhile, according to political observers here, the action of Mr Ghulam-Ud-Din will not attract the provisions of the state anti-defection law. The state high court last year had held, while ruling on a petition filed against the breakaway National Conference ministers and supporters, that the action was not defection as the party had split.

/9317

CSO: 4600/1081

INDIA

KASHMIR DEEMED HEADING FOR PRESIDENT'S RULE

Madras THE HINDU in English 1 Oct 85 p 11

[Text]

SRINAGAR, Sept. 30.

Jammu and Kashmir is heading towards President's rule and not Governor's rule as demanded by almost all State and all-India opposition parties including the National Conference headed by Dr. Farooq Abdullah.

The Governor, Mr. Jagmohan, according to informed sources, has in his recent report to the Central Government taken serious note of how lightly the State Government takes anti-national activities in the Kashmir Valley (pro-Pakistani extremist elements hoisted Pakistani flags on August 14 and 15 this year at several places in the Valley).

'Minor incidents': The State police authorities dismissed them as minor and sporadic incidents. It was only after the Director-General of Police and the Chief Secretary were summoned to Delhi by the Centre to explain things that the authorities placed six police officers under suspension for dereliction of duty in connection with August 14 and 15 incidents.

The Governor has also reportedly pointed out that when some Opposition members tried to raise the issue of the hoisting of Pakistani flags in the Kashmir Assembly they were either shouted down or thrown out of the House.

Although it was alleged by the Opposition National Conference members in the Assembly that some of these extremist Pakistani elements had secret connections with the ruling alliance in the State, the police has failed to identify the followers of either Congress (I) or the ruling National Conference. It is however, claimed by the

State Police that most of those arrested belonged to either pro-Pakistan People League, and Kashmir Awami Action Committee or to the youth wing of Dr. Farooq Abdullah's National Conference.

Bomb blasts: The Governor's report is also said to have informed the Union Home Ministry about the successive bomb explosions in Jammu and Kashmir, since August 15, 1983, particularly in Srinagar where there were 20 explosions.

The Home Ministry has also been informed by the Governor that there were 29 cases of dacoity, 163 murders and 225 cases of rape in State between 1984 and 1985.

Besides it has been reported that 13 persons were killed in police firings in the State from July 2, when the Shah Government assumed power, to the end of June, 1985 when people organised anti-State Government demonstration.

The Governor is believed to have stated in his report that involvement of some sections of the Police and administrative machinery could not be completely ruled out in creating chaotic conditions in the State and that the only way to set right things was a long spell of President's rule in the State.

Governor's rule can be imposed only for six months—too short a period to set things right—after which it is necessary to hold fresh elections to the Assembly. "President's rule can be imposed for a year or more till the Central Government feels satisfied that the situation in the State is suitable for fresh elections."

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CSO: 4600/1079

INDIA

COMPOSITION OF NEW UTTAR PRADESH CABINET REPORTED

Madras THE HINDU in English 26 Sep 85 p 6

[Text] Lucknow, Sept 25--Sixteen Ministers, nine of the Cabinet rank and seven Ministers of State, were sworn in today at a simple ceremony in the Raj Bhavan, bringing the strength of the new Veer Bahadur Singh Ministry to 17.

All those sworn in this morning were Ministers in the previous N.D. Tiwari Ministry holding the same rank. The Chief Minister even retained their old portfolios. Tiwari Ministry had a strength of 37 Ministers (19 Cabinet Ministers and 18 Ministers of State). The new Chief Minister, Mr Veer Bahadur Singh, alone had taken oath of office yesterday.

Those sworn in as Cabinet Ministers today included Mr Baldeo Singh Arya, Mr Lokpati Tripathi, Mrs Swarup Kumari Bakshi, Dr Sanjay Singh, Mr Sunil Shastri, Mr Arun Kumar Singh, Mr Sibte Razi, Mr Narendra Singh and Mr S.S. Upadhyaya.

Messrs Hukum Singh, Zafar Ali Naqvi, Padma Seth, Sheo Balak Pasi, Manpal Singh, Gauri Shankar and Om Prakash Richaria were sworn in as Ministers of State.

Basudeo Singh dropped: Prominent among those dropped included Mr Basudeo Singh, Minister for Food and Civil Supplies, whose ouster had been demanded by the powerful Urdu lobby, owing to his strong and open opposition to the demand to declare Urdu as the second official language of the State. While this exclusion would be welcomed by Urdu enthusiasts, it has already caused dismay and resentment among the larger Hindi-speaking segment. The Chief Minister, however, clarified at his first formal press conference that Mr Basudeo Singh's exclusion was not linked to the demand of the Urdu lobbyists. A number of other former Ministers too, have not been included.

Mr Veer Bahadur Singh emphasised that the new Government was determined to bring in efficiency and complete work under a time-bound programme. That was why a small Ministry had been inducted. He hinted that a few among those dropped may be included later, but a number of new faces would figure in the next expansion.

The Chief Minister has ordered that all Ministers and officers would sit in office from 9-45 a.m. to 6 p.m. Stern action would be taken against officers and employees coming late to their desks.

Top priority to flood relief works: Meanwhile, the new Chief Minister has accorded top priority to flood relief operations and measures to meet the devastation in half a dozen districts. All the Cabinet Ministers have been entrusted districts which included Lucknow, Barabanki, Jaunpur, Sitapur, Rae Bareilly and Sultanpur to direct and supervise relief works. The Ministers would stay in the districts assigned. Funds would be no problem, they were told. The Chief Minister himself left on a tour of the flood-affected areas today. He has also asked the Ministers to report administrative lapses to him while dealing with the flood situation.

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INDIA

BIHAR SCHEDULED CASTES, TRIBALS DEMAND JHARKHAND

Calcutta THE TELEGRAPH in English 26 Sep 85 p 4

[Text]

Patna, Sept. 25: Scheduled caste and scheduled tribe members of Parliament and Legislators of Bihar, crossing across party lines, yesterday demanded that the tribal dominated South Chotanagpur and Santhal Parganas should be separated from Bihar and given the status of a full-fledged state. A resolution incorporating this proposal was moved in a special meeting by the Congress(I) MLA, Mr Devendranath Champia, and was seconded by the Jharkhand leader, Mr Suraj Mandal. It was demanded that the tribal areas, hitherto neglected by successive governments, should be supervised directly by the Centre.

The Union home minister, Mr S.B. Chavan, who was present at the meeting, remained silent, while the state chief minister, Mr Bindeshwari Dubey, admitted that there have been lapses

in the implementation of schemes for the development of tribal areas.

The former Bihar minister, Mr Bandi Oraon, said civil and military officials in the tribal areas have grabbed the lands of tribals and no action has been taken against them. The local industries had not benefited the tribals as the new employment opportunities generated by these have been grabbed by outsiders, he stated.

Mr Suraj Mandal and Mr N.E. Horo, both of the Jharkhand Party, expressed concern at the "invasion" of tribal areas by outsiders. They also alleged that the funds allocated under the tribal sub-plan were being misused.

The Union home minister informed the meeting that the Centre had allocated a sum of Rs 190 crores to the tribal regions of Bihar under the tribal sub-plan.

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INDIA

EXCERPTS OF SEVENTH 5-YEAR PLAN DRAFT PUBLISHED

Calcutta THE TELEGRAPH in English 1, 2 Oct 85

[1 Oct 85 p 9]

[Text]

In a mixed economy such as ours, the programmes of investments and outlay embodying the pattern of allocation laid down in the Plan are to be implemented both through direct public sector outlays and through influencing and regulating the flow of resources in the private sector, consisting of households and business enterprises in agriculture, industry and trade. For this the government has at its disposal two types of instruments: direct or physical controls, such as licensing, and indirect or financial controls involving the use of fiscal, monetary and credit policies.

The mix of these instruments and the extent of intervention would have to be determined from time to time depending upon the experience of the past, the stage of development and the circumstances prevailing at a given time. In addition to policies for influencing the broad pattern of allocation in the private sector, the Plan also contains policies in regard to promoting development in particular areas such as agriculture, energy, protection of environment, family planning and so on.

Fiscal Management: The Budget is among the most potent instruments of economic policy. Through it the government creates and sustains the public economy consisting of

the provision of public services and public investment. At the same time, it is an instrument for reallocation of resources according to national priorities, redistribution, promotion of private savings and investments, and the maintenance of stability. Thus, the Budget must be geared simultaneously to the sustenance and growth of the public economy and to the pursuit of the broader objectives of fiscal policy. This implies that the methods of raising resources for the public sector should be such as to affect the rest of the economy in beneficial ways, and, within the public economy itself, resources must be used in the most efficient way, although such use is not subject to the test of the market.

In the long run, the ability of the government to provide for the needed public services and to undertake public investment on an increasing scale would depend on the soundness and buoyancy of the tax structure on the one hand and public expenditure policies that would contribute to the maintenance of Budget balance on the other. A continuous lack of Budget balance not only leads to general instability in the economy but also forces the government to resort increasingly to methods of raising resources that cause distortions and produce other

undesirable effects on the economy. In other words, the policy of the government to pursue a meaningful fiscal policy gets eroded.

In India, the size of the public economy (Centre and state governments only) measured in terms of revenue expenditure share, has grown from about 10.9 per cent of GDP in 1960-61 to 15.7 per cent in 1975-76 and further to 19.9 per cent in 1984-85. Along with this increase in expenditure, there was a more or less commensurate increase in the tax ratio up to the middle of the Seventies: It rose from 9.0 per cent in 1960-61 to 15.1 per cent in 1975-76. Since then, however, the tax ratio has not kept pace with the expenditure ratio. These tendencies have gradually eroded the capacity of the government sector to generate the necessary surplus to expand essential public services and to contribute to the financing of public investment. The process of erosion seems to have accelerated during the Sixth Plan period.

The balance from current revenues at 1984-85 tax rates during the Seventh Plan period is estimated at (-) Rs 5,249 crores. In the past this figure has almost always been positive. This situation has arisen because of several causes. This is partly due to inflation: it would seem that expenditures are more responsive to inflation than tax revenues. Apart from the fact of inflation, certain large items of current outlays such as defence, interest payments and subsidies have been growing fairly fast at the level of the Union government, and some states have been increasing their commitments unrelated to their plans and these commitments taken together with the committed expenditures arising out of completed Plan schemes have been rising out of pace with the rate of increase in revenues.

Since government savings have become negative, the entire investment in the government sector has to be financed through borrowing. In addition, the government is required through the Budget to contribute substantially to the

investment plans of public enterprises because of the failure of the enterprises in general to generate the resources needed for their own growth. There is further erosion of budgetary resources owing to the need to make subsidy payments for loss-making enterprises including a large number of sick units taken over from the private sector. All of these require the government to undertake a large borrowing programme which on the one hand increases the burden of indebtedness for the future Budgets and on the other hand leads to the preemption of a large proportion of the resources of the financial institutions and the capital market. In this context, a long-term strategy has to be evolved to restore balance between budgetary revenues and expenditures so as to enable the public sector to finance developmental outlay without inflation and at the same time to pursue a sound fiscal policy in relation to the private sector.

The first component in the long-term strategy is to reform and strengthen the tax structure and its enforcement, so as to make it buoyant and responsive to growth in income. The second element in the strategy lies in the formulation of an adequate expenditure policy. The third element is the maintenance of fiscal discipline which could be aided by the requirement to pursue a non-inflationary fiscal policy. Fourth, an equally important element in the strategy is to formulate policies for the core public sector enterprises to improve their performance and generate surpluses on an adequate scale.

On the revenue side, attention has to be paid to both tax and non-tax sources of revenue. In respect of taxation, the basic task is to make the tax structure more income-elastic as well as price-elastic while retaining the necessary degree of equity. For the tax system to become more income-elastic, first, it must cover adequately all sectors of the growing economy. Particular attention has to be paid in this context to the unorganised industrial and agricultural sec-

tors. Second, a major effort has to be undertaken to improve administration and enforcement so as to reduce evasion. The scope for substantial increases in the yield and elasticity of the tax systems of the Central and state governments has been brought out by several studies.

The non-revenue earning developmental activities of the government are wide-ranging. The major components are social services like education and health, scientific research and technical extension and the provision of some items of social infrastructure like water supply and roads. The provision of these services on a virtually free supply basis with little contribution from the beneficiaries rests essentially on considerations of general social benefit arising from these services and of equity. This case is valid, and, at the present stage of social development, demanding substantial payment for these services will hurt poor households, backward regions and, most importantly, future generations. However, much of the expenditure on these services benefits households who can afford to pay. They should be made to do so for these services in greater measure in future through appropriate changes in fees, cesses and municipal taxes.

The finances of urban local bodies are in a sorry state and these bodies are unable to provide even the basic municipal services which are obligatory for them to provide, let alone undertake schemes of investment. While there can be more generous schemes of assistance by the state governments and there is need to give the local authorities greater access to institutional finance, the major part of the resources needed for their functioning would have to be raised by themselves. But the tax systems of most of the local bodies are poorly structured and poorly enforced. A major effort would have to be undertaken to improve the productivity and equity of the local tax systems and also to train the staff of the local authorities in methods of sound financial management.

The Seventh Plan has been drawn up on the assumption that non-plan expenditures of the Central and state governments will grow at around five per cent in real terms, that is at a rate equal to the growth rate of GDP. This, on past evidence, will require a strenuous effort at expenditure control.

The efficient management of facilities, needed for providing public services like schools, roads, waterworks and so on will require more systematic attention to maintenance, fuller utilisation and cost-effectiveness. It will be necessary in many of these sectors to institute changes in management structures and procedures which will allow these facilities to be run as performance-oriented enterprises rather than as government departments.

Subsidies directed at poor households are justified on grounds of equity and long-term needs and cannot be eliminated. However, many of the subsidies tend to benefit also the not so poor, and are open-ended. This often means a loss of control over the total burden on the exchequer. For example, the sale price of fertiliser is fixed at some point in time, and hence, all increases in production costs brought about by inflation or other factors have to be covered by increases in the subsidy. It is also necessary that the rationale for subsidy proposals, particularly in Plan schemes, is examined more thoroughly taking into account the possibility of leakages, the economic status of beneficiary groups and the cost-benefit case for the subsidy. A time-bound programme to eliminate subsidies to particular loss-making public sector units must also be drawn up.

In the longer term, there is a need for the formulation of an adequate expenditure policy. First, since there are competing claims on resources, priorities have to be laid down and it should be stipulated that as the economy grows, certain items of expenditure should be maintained as a constant percentage of the GDP, other items with higher priority should be allowed to increase

relatively to GDP at postulated rates, and yet others should gradually decline, if not absolutely, at least as a proportion of GDP. For example, it could be stipulated that the aim should be to keep budgetary subsidies as a constant proportion of GDP unless extraordinary circumstances warrant otherwise, whereas expenditure on education and health can be planned to increase as a proportion of GDP. Second, in undertaking schemes of investment, particularly in relation to projects which are not directly revenue yielding, the scale of the investment undertaken during a Plan period should be conditioned by the anticipated increase in revenues accruing to the Budget, so that the rate of increase in maintenance expenditure in the future would not outstrip the rate of increase in revenue.

Another important element in the long-term strategy is to pursue a fiscal policy leading to non-inflationary growth. Experience has shown that inflation, far from increasing the real resources at the disposal of the public sector tends to erode them, partly because of the higher inflation elasticity of budgetary expenditure, and partly because of the diminution in the surpluses in the public enterprises through cost increases. This can be corrected to a certain extent by making taxes more responsive to inflation (for example by shifting to 'ad valorem' duties), and by more frequent adjustment of public enterprise prices. However, a non-inflationary fiscal policy calls for fiscal discipline, and the avoidance of overdrafts at the level of the states, and excessive deficits at the Central level. If the principle of avoiding excessive deficit in the government sector as a whole is strictly adhered to, an additional beneficial consequence would be the automatic enforcement of greater control of expenditure and maintenance of fiscal discipline.

While public enterprise in several cases, are expected to serve certain social purposes rather than to maximise profits, the major public enterprises which are in the core

sector and in public utilities have been established in order that social ownership could ensure fast development of these vital sectors, and at the same time prevent concentration of wealth and monopolistic practices. In all the industrialised countries, major industries such as steel, aluminium, coal, power and railways grow largely on the basis of surpluses generated by themselves, and to the extent equity finance was raised, an adequate rate of return had to be maintained. In India, too, these industries, though in the public sector, must generate surpluses through proper pricing and efficient operations. The needed resources are so large that they cannot be raised through market borrowings by the government through taxation. At present, the burden on the Budgets for subsidising and funding public enterprises is too large for the health of the public economy. The reform of the public enterprise system with a view to making them efficient and capable of generating surpluses commensurate with the scale of capital invested in them must rank high in the agenda for fiscal reform.

New ways must be found for financing the commercial activities of the government. Enterprises should be encouraged to borrow directly from the capital market so that their interest liability and interest payments fall outside the Budget and their borrowings are subjected to strict commercial scrutiny. There would be a corresponding reduction in direct borrowing by the government. The government itself should expect and demand a reasonable dividend return on its equity investments. New investments should strictly observe the criteria of commercial viability. This method of shifting borrowings out of the Budget and enforcing a commercial discipline on enterprises can go a long way towards preserving a measure of fiscal prudence.

As regards industry, the major tasks of the fiscal policy would be (a) to enable industry to raise a much greater part of the resources needed for its

expansion from internal resources than hitherto, and (b) to rationalise and simplify the tax structure so as to make enforcement and compliance easier, reduce the scope for litigation and disputes and minimise distortions. The recent changes in the direct tax system are basically designed to achieve these objectives. With the reduction in the burden of personal income taxation and the favourable treatment given to savings in specified financial assets, more of

household savings may be expected to be channelised into the capital market. A reduction in the corporate tax rates coupled with the removal of several tax expenditure provisions, would, while protecting government revenues, simplify tax administration and leave a larger volume of resources at the disposal of all corporations.

Experience in this country and in several other countries has shown that a plethora of incentive provisions have not generally led to desired results but have merely complicated the tax laws and its administration. A simpler tax system with a broader base and reasonable rates is preferable to one with higher rates to be moderated by several concessions.

Another objective of fiscal policy in the present context must be to induce a higher rate of savings in the household sector and to reduce significantly the volume of black income generation. Maintenance of price stability is important from the point of view of stimulating private savings. Positive real rates of return on financial assets net of taxes need to be ensured. The recent reduction in the rates of personal income and wealth taxes combined with strict enforcement is designed to reduce black income generation.

With a sizeable proportion of income and wealth evading taxation, the redistributive impact of progressive taxation had been severely blunted. A reduction in the scale of black income generation would improve distribution in income and wealth after taxation. Besides, if the magnitude of tax evasion is significantly re-

duced, there would be a greater volume of tax revenue, and a greater volume of public expenditure benefiting the poorer sections of the population would become possible.

Indirect taxes affect costs and prices. While the impact of the prices of final goods is meant to reduce consumption, the aim should be to minimise the impact on costs of inputs and to avoid distortions in costs by unwarranted changes in relative prices. A rationalisation of indirect tax structure would lead to reduction in costs and it is essential for improving international competitiveness. The rationalisation would have to be initiated in such a way that the reform would not only produce beneficial effects on the private economy but also lead to buoyancy in revenues.

Since, the Indian economy is vulnerable to inflationary impulses arising from a sudden fall in agricultural output and rise in import prices and since cost-push factors are at least as important as demand-pull factors, an anti-inflationary policy must consist of the following elements, besides the avoidance of excess money creation: 1) bufferstocking and public distribution of food-grains in order to moderate the impact of weather induced fall in production 2) Maintaining exchange reserves at a level that provides adequate margin for precautionary imports of other essential items like edible oils and fertilisers to counteract the effects of domestic shortages, and 3) Avoiding policy actions such as substantial across-the-board increases in administered prices at one stroke or levy of higher rates of indirect taxes on a wide range of commodities.

A stage has come to enlarge the role of the capital market and for enterprises to bid for resources on the basis of their capacity and credit-worthiness. Private industries should be encouraged to seek a much larger volume of support from the capital market and on a selective basis public enterprises may also be encouraged to resort to the capital market. This would lead to a more

efficient allocation of resources.

In recent years there has been a growing tendency to mobilise finance directly through capital market. This tendency has been strengthened by changes in policy in regard to interest rates and other terms of offer. The amount of resources mobilised by the private sector through the capital market has greatly increased. A good secondary market in financial instruments is being built up which is attracting savers who value liquidity. Further reform of the stock market and improvement in its functioning would accelerate the development of the primary and the secondary markets. The capital market could also be deepened by the creation of new financial instruments and new financial institutions such as mutual funds.

The organised part of the capital market has left out some sectors of activities, the most notable being housing. In the past, the commercial banks, which in several countries finance housing activity, have permitted to lend to a very limited extent to the housing sector. So far only a small proportion of housing investment has been institutionally financed, the bulk of it being financed through own savings, sale of assets and borrowing from the unorganised market. Financial intermediaries specialising in housing finance will be able to tap new sources of savings and help to bring housing investment within the framework of the organised credit system. The Seventh Plan envisages a major effort in this direction.

Framework of controls: In the Indian economy the allocation of resources broadly according to Plan priorities and targets have been sought to be achieved through: (a) direct public investment, (b) fiscal and monetary policies, and (c) regulation of the private sector and public enterprises through physical controls such as investment and import licensing, exchange control, price control and quantitative allocation of materials through government

agencies. Of these, in the earlier phase of development, public investment and physical control were greatly more important.

However, in view of the enlargement of the resource base and the degree of sophistication attained by the Indian economy, it was considered necessary to reduce the rigour and range of physical controls and place greater reliance on financial controls which would give signals but would not involve inefficiency and delays.

Over the years, price control has been removed in respect of most commodities. In respect of two important commodities, namely sugar and cement, the dual price system has been introduced which has served to take the pressure off the controlled market. In these cases only the levy prices are controlled. Apart from these, price control now exists only for bulk drugs and certain varieties of paper. In addition, there is a regime of administered prices in regard to a number of commodities, produced mainly in the public sector such as steel, fertiliser

and petroleum products. Also, the charges and tariff of public utilities like railways and state electricity boards are fixed by the government.

A general principle that has gradually found acceptance is that, except in the cases of monopolies and public utilities (which are natural monopolies), no commodity should be subjected to price control on a permanent basis, while temporary price controls may be called for to deal with certain shortage situations. Also, if a rationed supply of commodities like sugar and rice is considered necessary, a dual market system should be adopted so that a black market may not be created and the profitability of the concerned industry may be sustained through free market sales. The dual market system should, however, be restricted to the most essential goods, because a lower price than cost in the controlled market would inflate demand and ultimately lead to misallocation of resources.

Commodities subject to administered prices, though

few in number, play a critical role in the economy. They account for about 30 per cent of the weights in the wholesale price index, 18 per cent of private consumption expenditure and 30 per cent of intermediate consumption. Hence any increase in these prices generates cost-push pressures in a large number of sectors. A policy framework for these administered prices has to take account of this and also the need to ensure that the production of these commodities remains remunerative.

Agricultural prices, particularly foodgrain prices, play a critical role in determining the distribution of income and the rate of inflation. The example of rice and wheat shows that a price system based on rationally determined support prices and backed by arrangements for procurement can reduce fluctuations, maintain profitability and stimulate steady growth. An effort must now be made to establish such systems for other crops like coarse grains, pulses and oilseeds.

[2 Oct 85 p 9]

[Text]

Agricultural price policy should be increasingly concerned with the determination of appropriate relative prices of different crops with a view to ensuring efficient use of resources.

The policy framework for determining the prices of industrial products is not as fully articulated. In certain cases prices are fixed separately for each producer, as in the case of fertilisers, and in others prices are product specific and may vary by region, as in the case of levy cement and sugar. The general approach is to fix prices on a cost-plus basis but the details of the procedure vary. Sometimes prices are fixed on the basis of actual costs, as in the case of coal, but generally certain standards of efficiency and capacity utilisation

are taken into account, in fixing standard costs. The basis on which a return to capital is allowed also varies. For some commodities a specified return on net worth is allowed and in some an overall return on capital employed. It is necessary that this diversity of procedures is rationalised and a common approach established for price fixation. Prices must always be set on the basis of reasonable norms of efficiency and, at the same time, enterprises should be allowed to retain the benefits of productivity raising and cost reducing innovations. The return on capital should be determined on the basis of the level required to generate and attract investment funds. Most important, the lag between cost increases and prices

adjustments should be drastically reduced. Small and frequent price adjustments should be preferred to large and infrequent ones.

The prices of industrial products are often fixed without paying due regard to the impact on the demand for related products and their consistency with development strategy. The energy sector is an important case where, because of substitution possibilities, a measure of consistency is required in the pricing of related products like kerosene and soft coke, electricity and diesel, coal and fuel oil. Moreover, the impact of commercial energy prices on the promotion of non-conventional energy also has to be taken into account. Similarly, the

pricing of different metals and other materials must take into account the substitution possibilities which need to be encouraged or discouraged. Existing procedures for price fixation must be modified to take into account these wider considerations.

The prices of most industrial products are set in a manner where an explicit subsidy is not required though there may be a measure of cross subsidisation amongst products. However, fertilisers are an important exception. Here the final price paid by the farmer is very much below the average cost of production and a large and growing budgetary provision for a fertiliser subsidy has become necessary. Fertiliser sale prices cannot be raised to cover the entire gap without dislocating and jeopardising agricultural growth. Alternative schemes which limit the quantum of the subsidy will have to be worked out as the burden of subsidy under the present system will rise very rapidly with the growth in domestic production.

The balance of payments difficulties stemming from the structure of demand cannot be overcome simply by correcting the existing policy bias against exports: for, that would only shift resources from import substitution to exports whenever the latter are more competitive internationally. Thus, in addition, other measures will be needed which are designed to restrain generally the growth of domestic requirements of import substitutes and exportables (other than wage goods and essentials like foodstuffs) as well as to strengthen the production base of both. More important still, they will have to become progressively more competitive, price and quality-wise, with their internationally traded counterparts. Otherwise, the demand for imported intermediates, components and equipment may not decline relative to GDP while it would become difficult to find

outlets abroad for surpluses of exportables. International competitiveness, not just in some enclaves but in large segments of the economy, is indispensable for eventual self-reliance. Their competitiveness, moreover, would have to be protected from erosion through a domestic rate of inflation higher than inflation abroad.

General policy measures to lessen the impact of demand patterns on the external balance can be further strengthened, by suitable action at the commodity level. Some examples will illustrate these possibilities which involve pricing, investment incentives, infra-structure support and counter-protective methods. A shift from the present practice of setting grower prices of coffee partly with reference to the fluctuating international price could, by providing a more stable real return, lead to steadier acreage and output growth trends in the future.

Investment in tea bushes has been woefully inadequate over the past several years which, together with the fast growing domestic demand, has begun to impinge seriously on the availability for exports. As regards import substitution, generally only marginal lands are allocated to the cultivation of edible oilseeds because of lack of high yielding genetic material, susceptibility to pests and insufficiently effective price support. More orderly marketing, expansion of irrigation with application of fertilisers to groundnuts and introduction of high oil content sunflower are the types of measures to improve the growth of oilseed production. Finally, since imports of manufactured consumer goods are not generally permitted, or permitted to a limited extent subject to very high tariffs, their domestically produced substitutes benefit from excessive protection to the detriment of quality, cost competitiveness and exports. For this class of import substitutes the extent of protection has to be directly reduced, if need be through the levy of excise duties.

The mutually reinforcing interaction between productivity and the balance of payments comes into sharper relief against the backdrop of the major means of improving the performance of the economy. First, a rapid growth of exports will reduce the need to rely on high cost and inefficient import substitution. Second, the containment of external deficit within manageable limits will permit better capacity utilisation through relatively flexible and liberal access to imports. Third, technological upgradation and modernisation as well as increasing technical sophistication of domestic products will win wider acceptance for them in export markets and increase their substitutability for imports.

A sustainable combination of import liberalisation and deregulation of manufacturing capacity would be a necessary spur to technological change without which liberal access to technology imports may not have the desired effect. Easier access to foreign technology will not only permit rapid absorption of innovations abroad but also encourage domestic development of new processes and products for the reason that innovation seldom

takes place in isolation. All the same, discretionary regulation technology inflows will still be necessary in orders to ensure that high technology imports in the export sector carry an export obligation as well as to avoid acquisition of replicable or unduly high cost technologies. In fact, unnecessary imports or excessive costs can be even more effectively avoided through further progressive development of local technological capabilities which will (A) increase the bargaining power of domestic firms vis-a-vis foreign suppliers of technology and (B) make them more discerning about the import of different elements of a technology package.

To conclude, the management of the balance of payments, in the Seventh Plan period and beyond, calls for a pragmatic many-sided approach rather than a monolithic strategy. Policy guidelines, instead of being selective, have to be pervasive. And, progressive improvements in productivity, vigorous resource mobilisation and strict demand management, and virtual freezing of exports from the adverse impact of import restrictions, other regulatory measures and indirect taxation, constitute the main structural features of an appropriate policy frame.

/9317

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INDIA

REPORTAGE ON VISIT OF EEC COMMISSIONER CHEYSSON

Meeting With Finance Minister

Madras THE HINDU in English 1 Oct 85 p 9

[Text]

NEW DELHI, Sept. 30.

The visiting EEC Commissioner, Mr. Claude Cheysson and the Union Finance Minister, Mr. V. P. Singh today discussed issues concerning the global economic situation and strengthening of bilateral relations between India and the European Economic Community.

The possibility of greater investment by the EEC in India, specially on areas with enhanced export potential and those requiring high technology, were explored.

In this context, Mr. Cheysson suggested the setting up of a fund to take care of the risk of first-time investment by medium entrepreneurs in India and the EEC.

Mr. Singh appreciated the aid extended by the EEC in the agriculture sector and for the Operation Flood programme and hoped that India would continue to receive support from the EEC for the third phase of Operation Flood programme also. Mr. Singh wanted the EEC to rectify the growing trade imbalance. At present, the balance of trade is in favour of the EEC.

On the global economic situation, Mr. Singh noted that certain concessions now available under GATT to the developing countries were sought to be reversed under the new negotiations and questioned the need for the inclusion of services under GATT.

Mr. Cheysson expressed concern over the present world "economic disorder" and said that in this environment, growth was not possible. He felt that a number of countries could join together irrespective of their political postures to overcome the dangers of destabilisation. In this, he felt, India could play an important role.—Our Special Correspondent.

Cheysson Meets Press

Madras THE HINDU in English 3 Oct 85 p 7

[Text]

NEW DELHI, Oct. 2.

The Commissioner for European Economic Community, Mr. Claude Cheysson, has said the enlargement of EEC with the entry of Spain in the next few months would provide scope for increasing exports from India and to that extent reduce the adverse trade gap.

Addressing newsmen here yesterday he said that with Spain's entry the present protectionist trend in the Spanish market would disappear and India could take advantage of it. India should step up its marketing efforts to increase exports to EEC.

The most open market: Mr. Cheysson denied that EEC was following protectionist policies. The Community was by far the least protected and the most open market in the world. According to him, 80 to 85 per cent of India's exports to EEC were duty free and the Community was trying to improve the GSP year after year.

He, however, conceded that the trade exchanges between India and EEC were not satisfactory as there was now an imbalance detrimental to India. This was a very serious problem.

On Indo-EEC cooperation in general, Mr. Cheysson said India had made good use of the facilities opened by EEC. He referred to the commodity assistance offered by EEC for the Operation Flood programme and commended it as the best method of cooperation to ensure long-term development. He wanted new projects to be taken up on the same lines.

Scope for more joint ventures: Mr. Cheysson also welcomed India's decision to promote foreign investment and said EEC was convinced about the level of scientific and technologi-

cal and industrial development in India. There was scope for more joint ventures.

He, however, felt that at governmental level the effort should be to help small and medium enterprises to participate in joint ventures. The big business could take care of itself.

His discussions with Indian leaders went beyond bilateral cooperation. He was keen to know India's attitude towards various problems facing the world. The main threat to stability came from the present economic disorder.

IDA replenishment: Replying to questions, Mr. Cheysson said he favoured higher replenishment of IDA funds. In this context he said EEC

was shocked that the Seventh Replenishment of IDA had to be limited to \$9,000 millions (over Rs. 10,000 crores)—much less than the previous one—due to the position taken by one contributor. He did not name it, but said it showed lack of responsibility on the part of that country. This lack of responsibility was very serious when it comes from a country most powerful economically in the world", he said.

Earlier, he met the Industry Minister, Mr. N. D. Tiwari and accepted the suggestion to set up a joint sub-commission for technical cooperation between India and EEC. Mr. Cheysson offered to provide access to the European data bank for technical and industrial information. The details would be worked out by the two sides.

Mr. Tiwari stressed the need to provide new thrust to the relations between EEC and India. The policy of liberalisation, a continuous process, could lead to more purposeful cooperation. He suggested that EEC should extend its cooperation in setting up trilateral joint ventures with other developing countries.

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CSO: 4600/1079

INDIA

PUBLIC SECTOR ENTERPRISE PRODUCES SILICON CHIP

Calcutta THE TELEGRAPH in English 26 Sep 85 p 6

[Text]

New Delhi, Sept. 25: The Chandigarh-based multi-crore public sector enterprise, Semiconductor Complex Limited (SCL), has started commercial production of large scale integrated circuits, popularly known as silicon chips, in five-micron technology.

Its yields are comparable with the standard of those produced by its US collaborator, the SCL chairman, Mr Virender Mohan, announced here yesterday.

Efforts are on to achieve commercial production of three-micron technology by 1986 and two-micron technology by 1987, which is three years ahead of schedule. He said that there had been no time or cost overrun in the project.

It was learnt that the computer-aided design (CAD) wing of SCL has achieved full capability to custom design various circuits

for specific needs of the Indian electronics industry.

Full custom and gate array-based semi-custom devices have also been designed and fabricated for strategic and critical applications of the department of space, ministry of defence, ministry of telecommunications among others.

SCL has also entered the export market with shipments to West Germany and Hong Kong. The company is supplying microcomputers to Indian schools. The microcomputers are based on the 6502 microprocessor family, which is being produced in-house with Rockwell technology.

In order to widen the application base, additional software is being generated to meet specific needs of Indian doctors, lawyers, shopkeepers, restaurants, hotels etc.

/9317

CSO: 4600/1066

INDIA

MEASURES IN SUPPORT OF SYNTHETIC FIBER INDUSTRY

Madras THE HINDU in English 25 Sep 85 p 1

[Text]

NEW DELHI, Sept. 24.

The Government today announced a set of liberalisation measures to encourage the expansion of the synthetic fibre industry. This will help it cope with the additional demand for man-made fibres expected to be generated by the new textile policy.

Any new unit would have a minimum annual capacity of 30,000 tonnes in case of polyester fibre, 15,000 tonnes in case of polyester filament yarn, and 12,000 tonnes in case of nylon filament yarn or acrylic fibre.

Existing units with sub-optimal capacities would also be allowed to expand at an annual rate of 30,000 tonnes for polyester staple fibre, 15,000 tonnes for polyester filament yarn and 12,000 tonnes for nylon filament yarn or acrylic fibre.

The Government expects entrepreneurs to take advantage of the liberalised rules in respect of both existing units and new ventures. Financial institutions would give preference to those able to arrange the necessary resources on their own and who draw a minimum from these institutions.

The synthetic fibre industry was launched in India in the early 1960s with plants capable of producing 300 to 600 tonnes of nylon filament yarn and 2,500 tonnes of polyester staple fibre a year.

Big rise in demand expected: In the course of the last 20 years the industry has gone through various changes. By the end of the Seventh Plan, the demand for polyester filament yarn is expected to rise to 90,000 tonnes. The existing capacity is 67,000 tonnes and new units will add 35,000 tonnes.

The estimated demand for nylon filament yarn by 1989-90 is 90,000 tonnes for textile units and 60,000 tonnes for industrial units (tyre cord, etc.). The current capacity is 110,000 tonnes. An addition of 70,000 tonnes has been approved.

In the polyester staple fibre industry, the existing capacity of 60,000 tonnes will be totally inadequate to cope with the demand, estimated at 210,000 tonnes in 1989-90. Plans for the expansion of existing units and for new units, to take the capacity to 320,000 tonnes, have been approved.

Acrylic fibre production capacity will similarly go up from 16,000 tonnes to 90,000 tonnes.

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CSO: 4600/1064

INDIA

GUIDELINES FOR STOCK EXCHANGE LISTING AMENDED

Madras THE HINDU in English 25 Sep 85 p 9

[Text]

NEW DELHI, Sept. 24.

Only companies with a minimum issued capital of Rs. 50 lakhs and which make a minimum public offer of Rs. 30 lakhs can be listed on stock exchanges hereafter. This decision has been taken on the basis of the recommendations of the high-powered committee on stock exchanges. The listing guidelines have been amended accordingly.

The existing requirements for listing of securities of investment and leasing companies will, however, continue to apply, according to official sources. Under the existing guidelines for listing of securities on recognised stock exchanges, the issued capital of the company should not be less than Rs. 20 lakhs. Further, whenever the public offer is 60 per cent or more of the issued capital the public offer of capital should not be less than Rs. 12 lakhs in face value. Whenever the public offer is less than 60 per cent it should not be less than Rs. 20 lakhs in face value.

It has also been decided that a listed company be delisted after giving six months' notice if the number of public share holders falls below five for every Rs. 1 lakh of capital offered to the public or if the public shareholding falls below 50 per cent of the public offer. These requirements will not be applicable if the infractions are due to the holdings of the public financial institutions. Further, companies having a paid-up capital of Rs. 5 crores and above, seeking enlistment on a stock exchange should get their shares listed on at least one more stock exchange, in addition to the regional stock exchange. All existing listed companies will be required to be listed also on the stock exchange located in the State or area where their registered office or the main works or fixed assets are situated.—Our Special Correspondent.

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CSO: 4600/1064

INDIA

DELHI CURBS SPENDING TO CONSERVE EXCHANGE

Madras THE HINDU in English 25 Sep 85 p 9

[Article by G.K. Reddy]

[Text]

NEW DELHI, Sept. 24.

An effort is being made to curb the country's external spending on non-essential or low priority imports of capital goods and other avoidable commitments and acquisitions, because of a marked decline in foreign exchange reserves.

The Government is not disclosing the actual figures, but conceding that the foreign exchange position is far from comfortable, leading to some understandable concern in high circles.

Stringent steps: The Prime Minister, Mr. Rajiv Gandhi, who has been kept informed of this development, has approved of many stringent steps to conserve foreign exchange, without impeding the country's industrial growth or hampering its defence.

The Finance Ministry is initiating a number of measures for curtailing both rupee expenditure on the home front and conserving foreign exchange by imposing drastic constraints on external spending as far as possible. The increasing preoccupation with income-tax raids and increased collections has tended to divert attention from equally important steps being taken to curb public expenditure.

But the Government does not want to publicise unduly the drive under way for stemming the depletion of foreign exchange reserves because of external financial repercussions.

Liberalisation: The tight foreign exchange position might compel the Government, according to some experts here, to go in for increased liberalisation to encourage the in-flow of foreign investments on a larger scale. It would imply a more flexible interpretation of the ex-

isting laws including the FERA and MRTP regulations.

It is not without significance that, despite these financial difficulties, India's international credit rating has gone up in the last one year in the wake of the present Government's policy of liberalisation. More than a dozen leading international banks with many billions of dollars at their disposal are vying with one another in entering the Indian investment market.

A point that is being stressed in this context in high Government circles is that India has been opting quite consciously for a policy of liberalisation, whatever the domestic or foreign compulsions for it, at a time when almost all the industrially advanced countries are going in for more and more restrictions, in one form or the other, to resist competition through freer access to their markets.

Spadework to be done: But still a lot of spadework needs to be done, both at the political and economic levels, to make foreign investors better aware of the vast opportunities in India for their participation in the country's development. Despite its excellent record of honouring its commitments, a vaguely negative impression still prevails that the radical groups in and around the centres of power might go in for nationalisation on the slightest excuse, even if they do not resort to expropriation.

The Prime Minister and his advisers want to not merely generate enough interest in foreign participation in India's development, but also carry on an imaginative campaign to assure all concerned abroad about the country's credit worthiness and its enviable record of rectitude.

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CSO: 4600/1064

INDIA

PAKISTANIS AMBUSH PATROL AT KASHMIR LINE OF CONTROL

Calcutta THE STATESMAN in English 7 Oct 85 p 1

[Text] New Delhi, Oct 6--Three Indian jawans were killed when Pakistani troops ambushed an Indian patrol two days ago on the Indian side of the line of control in Jammu and Kashmir, it was officially stated by the Defence Ministry here today. The incident took place in the Kargil sector.

The Indian troops on a routine patrol were fired upon with artillery and machine-guns killed three soldiers. The Pakistani troops later removed the bodies to their side.

The Defence Ministry release said that Pakistan had stated that it was ready to return the three bodies.

The Indian sector commander has lodged a strong protest with his Pakistani counterpart. A spokesman of the Defence Ministry said today that the situation in the area was "well under control."

The Pakistani action is in sharp contrast to what had happened in September when four Pakistani Army personnel had intruded across the border. They were apprehended by Indian troops and were returned safely to Pakistan.

The Kargil incident took place on Friday but the Ministry issued the release today.

Sudden Spurt

Although patrolling along the line of control is a normal feature for both sides, there has been a sudden spurt in the incidents of firing along the Indo-Pak border in the Jammu and Kashmir sector. There have been instances of firing in the Punjab sector as well, around the middle of September. The Defence Ministry had received reports of several exchanges of fire. The incidents were played down by the Ministry on the plea that those were a regular feature. But the Ministry was disturbed as their number turned disproportionately high and Pakistanis used medium machine-guns. In all the incidents, the firing was unprovoked. In some cases, Indian troops returned the fire.

Pakistan also increased air activity along the border, especially in the Uru and Kupwara sectors in the western command. Such activity was noticed in the border along Ferozepur.

Things are getting worse in the Saichin region where Indian troops and Pakistanis have been almost continuously exchanging fire. There is no official version of a major incident on August 30 when the Pakistanis fired at India's air observation post. In the exchange of fire, one Indian Army officer and half-a-dozen Pakistani soldiers were reportedly killed.

Since the Pakistanis began attempts to dislodge the Indians from two points, Bilafonda and Lafonda, there have been casualties numbering about 100 on either side. The Indian Army is present at these points to protect the Nubra Valley and the region.

All these incidents were probably at the back of the Prime Minister's mind when he asked Indian Army commander here on October 3 to be vigilant and to make sure that the country is not taken by surprise. Mr Rajiv Gandhi had also made reference to the infiltration across the borders in Punjab and Rajasthan which has been continuing for some time.

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CSO: 4600/1092

INDIA

REPORT ON GANDHI SPEECH TO ARMY COMMANDERS

Madras THE HINDU in English 4 Oct 85 p 1

[Article by G.K. Reddy]

[Text] The Prime Minister, Mr Rajiv Gandhi, said today that Pakistan appeared to be intent on going ahead with the exercise of its nuclear option.

Addressing the bi-annual Army Commanders conference, he referred to the continued infiltration across the border from the Pakistani side into Punjab and Rajasthan besides the attempts to rake up the Kashmir question.

The Prime Minister's reference to Pakistan's nuclear intentions coincided with the disclosure made by the well-known American syndicated columnist, Mr Jack Anderson, who is now in India making a documentary film, that he had been told by a U.S. embassy official on the basis of intelligence reports that Pakistan was making an atom bomb of Hiroshima type in the 10 to 15 kiloton range with the help of technology acquired from China.

The official handout issued by the Defence Ministry did not say what else the Prime Minister said on the nuclear issue in his address to the Army Commanders, apart from expressing concern over the deteriorating security environment in the region requiring greater vigilance on India's part. But he stressed the importance of modernising the Indian armed forces to make them more combat-effective through greater emphasis on indigenous development and production of new weapons systems.

Internal Situation Stable

An interesting observation made by Mr Gandhi was that the internal situation in the country has become stable enough in the wake of the Punjab settlement to obviate the need for Army assistance in the maintenance of law and order which could now be dealt with by police and para-military units. The Army would be free hereafter to concentrate on its defence responsibilities to be able to cope with any threats.

In a brief review of the regional situation, he voiced his satisfaction over the improving relations with neighbouring countries like Nepal and Bhutan, while expressing the hope that the Indian efforts to bring about a negotiated settlement of the ethnic problem in Sri Lanka would lead to lasting peace.

This is the last Army Commanders conference being held during the tenure of the present Army Chief, General A.S. Vaidya, who is due to retire at the end of January next. In his dual capacity as Prime Minister and Defence Minister, Mr Gandhi has to decide shortly who should be the next chief, since it is customary to make the announcement at least three months in advance.

PTI, UNI report:

Mr Gandhi referred to the importance not only of indigenous production of defence equipment, but also product improvement, planning of inventory support and repair and overhaul of equipment, to ensure their maximum utilisation. The Defence Research and Development Organisation should offer to the armed forces modern equipment utilising the state of the art in technology and continually upgrading the equality and performance of the weapon systems.

Gen Vaidya said the Army was combat-ready and the morale and training continued to remain at a high level.

The inaugural session of the conference was attended, among others, by the Ministers of State for Defence, Mr Arun Singh and Mr Sukh Ram.

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CSO: 4600/1088

INDIA

INDIAN SCIENTISTS DEVELOP MULTITARGET RADAR

Bombay THE TIMES OF INDIA in English 3 Oct 85 p 4

[Text]

NEW DELHI, October 2 (PTI).

A MULTI target field artillery radar which can accurately pinpoint location of enemy gun placements and mortars has been developed by Indian scientists.

The radar, developed by Bharat Electronics Limited (BEL) with the expertise provided by the electronics and radar development (LRDE) provides effective means of neutralising enemy positions.

It is of considerable significance to the army as it provides advance warning to troops even before enemy shells fall on the target.

This is one among the wide range of radars which have been developed, or are under development, for use by the three services, according to the director of the LRDE, Mr. R. P. Shenoy.

INDIAN AWACS

The LRDE has submitted a comprehensive scheme for developing an Indian airborne early warning and control system. The entire system, which can reduce the reaction time considerably, will be mounted on an existing aircraft like the AVRO, the scientists said.

Using the current state-of-the-art technology, the radars, some of them already under production, compare favourably with any system available in advanced countries, Mr. Shenoy told a group of newsmen during a recent visit to the Bangalore-based defence production and research and development establishments.

The control for the airborne system will be ground based while the

warning system will be mounted on an aircraft.

The LRDE has also designed and developed two low flying target detection radars of which the army version has undergone field trials and is awaiting decision regarding manufacture.

The other version for use by the air force, will be ready for field trials before the end of this year. These are the first indigenously designed radars with complete know-how available within the country.

LOW TARGET

One of the problems encountered in detecting low flying aircraft on the radar has been the difficulty in identifying the enemy planes from several heavy interference and ground echoes from high rise buildings and trees. This problem has been overcome successfully in the low flying target detection radars.

Maj. Gen. Shyamal Ghosh, chairman and managing director of BEL, told newsmen that his establishment has recently taken up production of the 'mortar locating radar' under licence from a British firm. This will later be replaced by the multi-target field artillery radar now undergoing trial.

The mobile field artillery radar employs modern solid-state technology and a fast computer to calculate the launch and impact points from the flight path of enemy shells or mortars. The final industrial model of this radar is called 'mufar' and has been fabricated jointly by the LRDE with BEL.

The LRDE is currently pursuing 33 projects involving an expenditure of about Rs. 50 crores and covering radar and communication fields.

Some of the other major systems being developed or under trial include weapon guidance radar for launching surface to air missiles, secure equipment for ensuring secure transmission by telephone and wireless, and shipborne radars capable of detecting and tracking sea skimmer missiles.

According to Maj. Gen. Ghosh, radars account for a substantial amount of equipment supplies by the BEL to the defence services. Those currently in production are the three dimensional static or mobile radars, marine navigational radar, display systems and secondary surveillance radars.

During the seventh plan period, the BEL proposes to make satellite and microwave communication equipment and associated digital multiplex equipment to meet the requirements of the communication ministry.

The BEL has also been assigned by the department of space to provide vital and sensitive electronic items required by the Indian Space Research Organisation (ISRO) for which a separate division has been set up at Bangalore.

Besides the Bangalore unit, the BEL has three more units at Ghaziabad, Pune and Machilipatnam. Three other units are coming up at Panchkula (Haryana), Garhwal (UP), and Talaja (Maharashtra). While the former two will make electronic equipment, the Talaja unit will produce TV glass shells.

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CSO: 4600/1085

INDIA

AGENCY NOTES DEVELOPMENTS IN INDIAN AIR FORCE

Bombay THE TIMES OF INDIA in English 7 Oct 85 p 7

[Text] Agra, October 6 (PTI)--The Indian Air Force enters its 54th year of service with its head held high and the satisfaction of being second to none in the region.

While the fighter arm of the air forces has developed in the last over fifty years from a mere four Westland Wapiti IIA biplanes to a large fleet of the latest generation of aircraft, including the Mirage 2000, the less glamorous but no less important transport wing can boast of being one of the largest and most modern in South and South-East Asia with its latest Antonov 32s and Ilyshin 76 MDs.

The induction of the AN 12s and IL-76MD into the air force over the last one year marks a major jump in the technology level and equips it to function in its ever changing and strategic role of logistic support.

The military version of the Ilushin 76, which the air force inducted into its family in the beginning of this year, is one of the most sophisticated transport aircraft in its category and one of the few fitted to defend itself. The MD version has four 23 mm cannons in its tail barbette.

In its role as a medium long haul transporter, the aircraft can carry at one time 225 troops or cargo up to 43 tonnes in various combinations, thus cutting down drastically on the number of sorties that had to be made by the existing aircraft to ferry the same payload.

Distinct Honour

Officers of the 'Himalayan Geese' squadron, proudly showing off their latest acquisition, explained the plane's salient feature saying that it was one of the few Soviet-built aircraft to be recognised by the global aviation body, FAA. The aircraft also holds 25 world records in its class, they said.

The commanding officer of the IL-76 squadron, GP Capt Ashok Goel said the IL-76 was particularly well-suited to function in the Indian and sub-continental environment inasmuch as it could retain its optimum performance standard at high average temperatures and could operate from kutcha-levelled airstrips even at high altitudes.

Powered by four D-30 KP uprated turbofan engines, the aircraft's performance with one or two engines down was good, the crew explained. They said that with two engines having failed and with an all up weight of 190 T, the aircraft can maintain a height of 2.2 km.

Trained Crew

About maintenance on ground, the group captain said the crew had been trained to adapt themselves to the new plane and most of the support equipment had come through. One of the IL-76s was undergoing its second-line servicing by Indian crew, he said.

Apart from its size and magnitude, the aircraft's other useful features were its ability to airdrop artillery guns, armoured vehicles and other heavy military loads between 28 to 32 tonnes using special platforms. As an air ambulance, the plane can carry 114 personnel consisting of 72 stretcher patients and remaining sitting patients and attendants. For para-dropping, the aircraft had four para-exits, he said.

GP Capt Goel said the ability of the aircraft to fly for a very long time at low altitudes could enable it, if need be, to use it for special tasks. He said the plane can fly smoothly even at the altitude of 200 mt and can stay in air for up to 12 hours. A capability like this would enable it to cover the northern border of the country twelve times without refueling, he said.

According to aviation experts, the aircraft could be fitted with a saucer-type rotating radome, the kind found atop the E-3C Hawkeye airborne early warning and control system planes. According to aviation publications, the Soviets are already using the IL-76 in the role of AWACs.

The other new aircraft of the Indian Air Force--the AN 12s--is fast assuming the role of being the pack horse of the transport fleet, specially because of its special designing and suitability to Indian needs and flying conditions.

Pilots of the 'Skyhawks' squadron explained that where most of the flying has to be done in the rugged Himalayan region or in the North-Eastern hills, an aircraft has to have power, manoeuvrability and be capable of landing on crude runways. The AN-32s, they said, combined all these features. Manufactured by the Soviets specially for the Indian Air Force, the AN 32 incorporates two engines of the larger An-12 on a much smaller air-frame.

The engines permit the aircraft to take off from airfields up to a height of up to 4,500 mt thus making it ideally suited for logistic and support operations in the Himalayan theatre. The short take-off and landing capability makes the plane even more versatile for extempore uses. IAF planes are put in the adverse conditions of the North, where every flight turns out to be an endurance test for both man and machine.

Described by its Soviet manufacturers as an advanced multi-role, medium range, tactical transport aircraft, the AN-32, inducted in July 1984, was the first transport aircraft with the IAF that had a pressurised air-conditioned cargo cabin.

The pilots of 'Sutluj,' as the aircraft was christened by the Indians, were all praise for the avionics incorporated in the aircraft. It is an all-weather aircraft, which has among other aids a colour navigational display.

Most of the communication and avionics fitted on board are indigenous and manufactured at the Hindustan Aeronautics factories.

The 'Sutluj' has already proved its mettle with the Indians having played a crucial role during floods, airdropping and rescue missions and even when fast transportation of para-military troops were required. The aircraft was used during relief operations after the Bhopal gas tragedy in December 1984.

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CSO: 4600/1091

INDIA

NEWSMEN SEE NEWLY ACQUIRED COMBAT AIRCRAFT

Bombay THE TIMES OF INDIA in English 5 Oct 85 p 14

[Text] Somewhere in Central Sector, October 4--The Mirage 2000 has added to the Indian Air Force's deep strike power. A group of newsmen who saw the recently-acquired advanced supersonic multimission combat aircrafts in action here were told that the Mirage 2000 in the hands of IAF fighter pilots--among the most feared in the world--spelt nothing short of doom for the economy.

The stillness of the dusk was shattered by a thunderous roar as the delta-winged bird fitted with advanced technology SNECMA M-53 Turbo prop engines producing 9000 kg thrust came to life. In no time the valiant boys of the IAF who have adjusted so well to the new machine were air borne.

The Mirage 2000 flew across the air base with its tail spitting out fire and gained height at supersonic speed before disappearing into the sky. It had almost appeared silent while streaking past but it was only after it had disappeared that the roar filled the sky. The aircraft was shortly back over the base and the fighter pilot in it gave a breathtaking display of what the new machine can achieve.

The awe-struck newsmen saw the plane fly at low height and low speed suddenly changing patterns and switching into the ultra fast capability. The aircraft took both horizontal and vertical spins and by some more aerobatics displayed its versatility and manoeuvrability.

The Indian Air Force is the second air force in the world after France to have gone in for Mirage 2000, an aircraft capable of carrying out all-weather air defence missions, air combat, high accuracy ground attack missions, electronic warfare and reconnaissance missions. The battle axes squadron which is the first one to be equipped with these sophisticated aircrafts has, therefore, earned the distinction of being the "Creme de la creme" of the Indian Air Force. The squadron is led by wing commander Ajit Bhawnani, a young IAF officer.

High Order Ability

Pitted against other sophisticated aircrafts like the F-16, the Mirage 2000 is considered by officers of the IAF as superior--both in performance and the weapon system it is capable of carrying. Its avionics, radar system, growth potential and electronic warfare ability is of a very high order. In the hands of the IAF pilots, therefore, it can take on almost anything. Some of the pilots flying this sleek machine summed up the quality as that once in air in a Mirage 2000 you see first and subsequently fire first. Their soaring spirits were also evident from the off the cuff comment by one of them, "up in the sky its not our job to die for our country but to make someone else die for his country."

The Mirage 2000 answers all the operational needs an air force may have. The aircraft displays characteristics such as high performance, exceptional manoeuvrability, efficiency and low vulnerability. It can accelerate up to a speed of 2.2 mach at high altitudes.

Named "Vajra"

It is equipped with Thomson CSF Multi Mode Radar (RDM) which is capable of both air to air and air to surface functions with very long pick up ranges and excellent discrimination. It has both the head up display and the head down display. The advanced navigational attack system installed in it helps the pilot to fly accurately and deliver his weapons with pinpoint accuracy.

The aircraft has been named "Vajra" by the IAF. Its acquisition in the capable hands of IAF pilots is likely to cause the same fear and awe that "Vajra" had on "asura."

The Mirage 2000 considered by many as one of the world's most potent and respected aircraft is truly equipped with the latest technology. In the air-to-air role it has two modern 30 mm guns, air-to-air close combat all aspect missiles and beyond visual range super 53-00 missiles which can shoot down approaching enemy aircraft at very long ranges and well before either pilot can see each other.

In the air-to-ground role, besides conventional bombs and rockets, Mirage 2000 can deliver laser guided bombs and missiles with practically pinpoint accuracy. Other weapons that can be carried on it include runaway penetration bombs, cluster weapons and anti-radiation missiles. In maritime role, it is capable of tracking and attacking naval targets. It is also capable of carrying out variety of offensive and defensive electronic warfare equipment to enable it to penetrate any electronic environment. The total load of armament carried by the Mirage 2000 amounts to 6000 kg which can be delivered with ease and accuracy.

Talented Pilots

The pilots selected to fly this new aircraft are all fit and young men with hundreds of flying hours to their credit. All of them have flown other types of aircrafts too, and by their own admission find Mirage 2000 as very exciting proposition.

They had all gone to France for their initial training on the Mirage 2000. The ease with which they picked up the latest techniques in such a short time speaks volumes about their calibre. While in France, they immediately started being respected by the French pilots and technicians as the IAF's magnificent men can perform miracles with any flying machine they fly.

Therefore when the Indian Air Force is celebrating its 53rd anniversary, the acquisition of Mirage 2000 is an apt gift for the occasion. More than just an evolution, the aircraft is nearer a revolution and the most surprising aspect of which is that Mirage 2000 itself from outside looks to laymen so very little different from its predecessors.

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CSO: 4600/1081

INDIA

BRIEFS

QUITO 'KHALISTAN MISSION'--London, Oct 5 (UNI)--Sikh separatists have opened a Khalistan embassy in Quito, the self-styled Khalistan leader, Dr Jagit Singh Chauhan, said. He told newsmen here last night that both the Ecuadoran and Khalistani flags were hoisted atop the embassy at the Thursday opening. Ecuadoran ministers as well as government officials and Sikh separatists attended the opening, he added. The embassy has been set up in an office that was opened last month. The office was earlier used for liaison between Sikhs and the Ecuadoran government. Dr Chauhan said Mr Balbir Singh and Mr Kuldip Singh, whom he described as "representatives of Khalistan," were present at the meeting. He did not say who represented the Ecuadoran side. He claimed that about 100 people attended the inauguration. [Text] [Calcutta THE TELEGRAPH in English 6 Oct 85 p 1] 9317

CONGRESS-S SECRETARY QUILTS--New Delhi, Oct 4--Mr Bedabrata Barua, general secretary of the Congress (S), today announced his resignation from the party on the grounds that it had rejected his proposals for "Congress unity" and had taken a confrontationist stand on the Assam accord. Mr Barua, who was a prominent Opposition leader in Assam, belonged to the group in the Congress (S) that was keen on joining the Congress (I) after Mr Rajiv Gandhi took over. The question of a merger of the party with the Congress (I) was discussed at the Congress (S) national camp held in Nagpur in July. However, despite the arguments of Mr Barua and others, several prominent members of the party opposed the idea and an immediate merger was ruled out. By coming out in the open, Mr Barua has shown that differences in the party continue to exist and are likely to come to a head soon. Since Mr Barua was not alone in his desire for unity in the Congress (I), his departure is likely to herald more resignations or even a split in the party. In his resignation note Mr Barua said since the national camp took place "where I had proposed certain radical changes in the party's policies and attitudes, I have been finding myself increasingly out of tune with the policies of the party." [Text] [Calcutta THE TELEGRAPH in English 5 Oct 85 p 1] 9317

INDIANS IN MIDEAST--Damascus--Twenty-four Indians being taken to Lebanon by a Lebanese who was on the wanted list of Syria are in detention here since September 28. They were brought from India by agents with promises of work in Lebanon. About 10,000 Indian workers, most of them smuggled in, are reported to be working in Lebanon, largely in Christian areas, on low wages. Reports said the Phalangist Christian militias were employing Indian workers in preparing weapon positions in the Lebanese civil war. A Muslim leader alleged that Indian mercenaries were fighting for the Christians. However, it is said the Indians only levelled the ground for positioning artillery pieces.--PTI [Text] [Madras THE HINDU in English 5 Oct 85 p 5] 9317

INDO-SOVIET OIL EXPLORATION--New Delhi, Oct 3--The Soviet Union will carry out intensive exploration for hydrocarbons in North Cambay and Cauvery basins under an agreement signed between the two countries. The Agreement was signed by the ONGC Chairman, Col S.P. Wahi and Mr Y.V. Chugnov, Chairman of Technoexport of USSR on Monday. According to the agreement, the USSR will carry out a detailed feasibility report, drill adequate number of exploratory wells, estimate the size of hydrocarbons deposits in the area and prepare technological schemes of development and design of surface installations. [Text] [Madras THE HINDU in English 4 Oct 85 p 7] 9317

JAPANESE LOAN AGREEMENT--New Delhi, Sept 27--Japanese concession loan to the tune of 39,231 million yen, equivalent to Rs 200 crores at the current exchange rate, will be available for five projects during 1985-86. An agreement to this effect was reached here today through exchange of notes between the Japanese Ambassador, Mr Takumi Hosaki and the Union Finance Secretary Mr S. Venkitaramanan. A large chunk of the loan--15,800 million yen--is for the gas pipeline project from Hazira to Jagdishpur via Bijapur. The telecommunication network expansion project, aimed at introduction of switching and transmission equipment will get 9,581 million yen. The Aonia fertiliser project will get 9,500 million yen, Sardar Sarovar Hydro Electric Project 2,850 million yen and Ujjani Hydro Electric Project 1,500 million yen. The amount of loan for which the notes were exchanged today represents an increase of five percent over the loan agreed to last year. There has been a steady increase in the yen loan from Japan to developmental plans in India in recent years. The loan was 33,000 million yen for 1982-83, 34,730 million yen for 1983-84, 37,360 million yen for 1984-85 and 39,231 million yen for 1985-86. The loan agreement will be concluded between the Government of India and the Overseas Economic Cooperation Fund (OECF) of Japan later. The repayment period of the loan will be 20 years after a grace period of 10 years. The rate of interest will be three and a quarter (3.25) percent per annum. The loan for the gas pipeline project will cover the supply of line pipe for a section between Hazira and Bijaipur where Japan-aided fertilizer plants are to be set up. The Aonia fertilizer plant project is being implemented by the Indian Farmers Fertilizer Co-operative Limited to produce 26,000 tonnes of urea per annum. The Japanese loan, which is the second one in succession, would contribute to the indigenisation of fertilizer production in India. The Sardar Sarovar Hydro Electric Project is part of the Narmada Project, a multi-purpose river valley project. When completed, it will provide irrigation facilities for a total gross area of about 3.5 million hectares and produce 5,469 million units of power. The

Japanese loan for this project will cover the river bed power house comprising six reversible units of 200 MW rating each. This is the first Japanese loan for this project. [Text] [Madras THE HINDU in English 28 Sep 85 p 13] 9317

SOVIET AIR CONDITIONERS--Moscow, Oct 8 (UNI)--The Soviet Foreign Trade Association 'Techmonointorg' has signed a contract for the delivery of a consignment of Soviet-made air-conditioners to India. The deliveries are to be effected before the end of 1985, reports Tass. For their part, Indian firms have supplied knitting machines, components for tape-recorders and sewing machines to Techmonointorg. [Text] [New Delhi PATRIOT in English 9 Oct 85 p 2] 9317

INDO-SOVIET ACADEMIC COOPERATION--Joint Indo-Soviet Research projects, bilateral seminars and joint publications are to be undertaken under an accord reached between the University Grants Commission (UGC) and the USSR ministry of higher specialised secondary education and the USSR Academy of Sciences, reports PTI. A detailed working programme is being chalked out for collaboration at the academic level between the two countries, according to UGC Chairman, Dr (Mrs) Madhuri Shah. Dr Shah, who recently led an eight-member delegation of Indian academicians to the USSR under the Indo-Soviet Cultural Exchange Programme told Sovietland in an interview that for the first time there would be a linkage between the educational institutions of India and the USSR. This, she said, would benefit India. Under the programme agreed upon, Dr Shah said, India would send to USSR scholars and teachers from various faculties for long-term training in different institutions. The USSR would in turn send teams of experts and specialists to India. Twenty-two special fields have been earmarked for collaboration. These include environmental sciences, crystallography organo-metallic chemistry, laser technology, cryogenics, management of higher education, bio-technology, comparative literature and tissue culture. The UGC chairman said that the USSR had made great advances in these fields and India had much to learn from her. [Text] [New Delhi PATRIOT in English 27 Sep 85 p 7] 9317

PACT WITH GDR--India has entered into a long-term agreement with East Germany for the supply of 150,000 tonnes of urea per year, reports UNI. The three-year agreement is effective from 1 January next year and could be extended another three years by mutual agreement. The contract for the urea supplies was signed on Tuesday by Minerals and Metals Trading Corporation (MMTC) executive director S.K. Agarwal and Director General of East Germany's Foreign Interprice Chemie Export-Import K. Falkenberg. There were also prospects of India selling East Germany other products like cattle-feed and soyameal in larger quantities. According to an MMTC release, discussions were also held in this regard and in principle the East German team has agreed to consider this offer. [Text] [New Delhi PATRIOT in English 26 Sep 85 p 2] 9317

SOVIET ADMIRAL'S VISIT--New Delhi, Sept 30--Admiral of the Fleet, First Deputy Commander-in-Chief and Chief of the main naval staff of the Soviet Navy, U.N. Chernavin met Admiral R.V. Tahillani, Chief of the Naval Staff, here today. He also met the Defence Secretary, Mr S.K. Bhatnagar, and Vice-Admiral K.K. Nayyar, vice chief of the naval staff. [Text] [Calcutta THE STATESMAN in English 1 Oct 85 p 9] 9317

AIR FORCE READINESS--Coimbatore, Sept 25--The Chief of Air Staff, Air Chief Marshal D.A. La Fontaine said today that the Indian Air Force was fully geared to meet any threat or emergency at short notice. Speaking to newsmen at the Air Force Station in Sulur, the Chief of Air Staff said that the strike and defence capabilities of the Air Force were being improved to meet the demands of the situation arising from time to time. Test flight of Kiran aircraft: Air Chief Marshal, D.A. La Fontaine, who arrived here from Wellington this afternoon, released for test flying the 300th Kiran aircraft repaired and overhauled at the No 5 Base Repair Depot at the Air Force Station. Before unveiling the aircraft's nameboard signifying its release for the test flight, the Chief of Air staff broke a coconut after an airman performed prayers in the traditional way lighting camphor and distributed sweets to those who were involved in the repair and overhauling of the aircraft. Air Commodore K.C. Kapoor, Commandant of the Air Force Station, who welcomed the Chief of Air Staff earlier, said that the depot, entrusted with the task of major servicing of the aircraft, had so far overhauled 150 Gnats and 299 Kiran aircraft and had earned a distinction for ensuring high quality of work. Speaking on the occasion, the Chief of Air Staff congratulated the officers and airmen of the BRD (Base Repair Depot) for ensuring high standards in their work. [Text] [Madras THE HINDU in English 26 Sep 85 p 9] 9317

CSO: 4600/1074

PAKISTAN

LEADERS DETAINED, OUSTED FROM VARIOUS PROVINCES

Lahore VIEWPOINT in English 31 Oct 85 p 15

[Text]

MR. GHULAM MUSTAFA JATOI, MRD convener, was detained at his house for seven days on October 24. Khawaja Khairuddin, Secretary-General of the MRD and President of the banned PML, was placed under house arrest within 14 hours of his return from abroad late Wednesday night. However, the two were freed on October 27.

Meanwhile, Mir Ghous Bakhsh Bizenjo, President of the Pakistan National Party, was detained at the airport on arrival from Quetta on October 23 for the MRD session and was flown back home the next day.

In another development, Begum Nasim Wali Khan, accompanied by Mr. Abdul Khaliq Khan, Secretary-General of the National Democratic Party, arrived from Peshawar by a midday flight on October 24.

Mr. Khaliq, on whom the Sind Government's prohibitory order had already been served, was detained at the airport. As a protest, Begum Nasim Wali refused to come out of the airport and preferred to stay with Mr. Khaliq.

They were sent back to Islamabad by the 4 p.m. flight.

Police raided the residence of Mr. Fatehyab Ali Khan last week and took him away to an undisclosed destination.

Mr. Mushtaq Mirza, President of the banned Pakistan Democratic Party (Sind), was arrested from his

house last week and sent to the Central Prison here for seven days.

Three more MRD leaders including Mr. Iqbal Haider of the Qaumi Mahaz-i-Azadi, Mir Hazar Khan Bajarani and Mr. Nafees Siddiqui of the People's Party were detained for seven days in the Central Prison.

Nawabzada Nasrullah Khan, who reached Karachi on October 22, was served with an externment order late at night and as he refused to travel during the night he was put on a plane the next morning.

Some other leader including Malik Mohammad Qasim of the PML, Maulana Fazlur Rahman of the JUL, and Mr. Aitzaz Ahsan of the Tehrik were also served with orders from the Government of Sind banning their entry into the province.

Nasrullah critical

According to a Multan report, the Chief of the (defunct) PDP, Nawabzada Nasrullah Khan, said that the policy to ban the entry of political leaders into Sind on the occasion of the MRD meeting at Karachi would result in supporting and encouraging secessionist elements.

Talking to partymen at Multan, while on his way to his hometown, Khangarh, after his externment from Karachi, the Nawabzada said that patriotic politicians were busy launching their wholehearted and sincere struggle for saving national integrity.

/9317
CSO: 4600/78

PAKISTAN

JI CHIEF ACCUSES WALI KHAN, ASGHAR KHAN OF 'INVITING' MARTIAL LAW

Islamabad THE MUSLIM in English 29 Oct 85 p 6

[Article by Abdul Sattar Qamar]

[Text]

MULTAN, Oct. 28: Mian Tufail Muhammad, Amir of Jamaat-e-Islami, has held Asghar Khan and Wali Khan responsible for inviting Martial Law in the country and said they were, once again, trying to clamp another Martial Law by not recognising the existing Assemblies.

Addressing a Press Conference here Sunday morning, he said that the government should persuade the members of the assemblies to join political parties according to their wish and choice soon after the passage of the Political Parties Act and the president should invite the party in majority to form the government. In case of any complication, a coalition government should be formed.

He called upon the people and patriotic forces to avoid any agitation and confrontation in paving the way for democracy because some elements in the bureaucracy, political parties, armed forces and administration intended to perpetuate Martial Law by disrupting the law and order situation for the sake of their evil designs.

He warned the leaders of public opinion not to take any unreasonable step because it might be harmful to the country's integrity and solidarity.

Mian Tufail said that Pakistan would be included in the prestigious, dignified and respectable nations after lifting of Martial Law and the sword of Damocles hanging over our heads had injured our prestige and sanctity.

He alleged that the bureaucracy had brought out the engineers and doctors from their institutions and now students were being maltreated to bring out the students of colleges and universities for agitation and confrontation.

He opposed the externment of politicians from different areas and restrictions on holding even camera meetings and appealed to the President and Prime Minister not to spoil the political atmosphere by taking such unwise steps.

Mian Tufail said that the Senate should remove the shortcomings in the Eighth Amendment Bill and the government should fulfil its promises made during the dialogues with the Independent Parliamentary Group.

/9317

CSO: 4600/79

PAKISTAN

CONSTITUTIONAL AMENDMENT: PESSIMISM EXPRESSED

Lahore VIEWPOINT in English 24 Oct 85 pp 9-10, 13

[Article by Makhdoom Ali Khan]

[Text]

FIRST the Government entered into negotiations with the IPG, then a seven-member committee charged with the task of evolving an agreement on the draft Constitution (Eighth Amendment) Act, 1985, was formed, and then the Bill as originally drafted was withdrawn and a new Bill introduced. When this failed to appease the IPG a few more concessions were made and the Bill found a safe and unanimous passage through the National Assembly. All these measures normally would have created room for hope. Recognition, after a very long time, of the need for a consensus on crucial constitutional issues would by itself have been a ground for optimism. But even a cursory glance at the new agreed formula is enough to dispel all such optimism.

A number of changes had been introduced in the new Bill. Articles 144 and 152 were omitted and articles 48, 56, 59, 60, 75, 101, 105, 112, 116, 130 and 270-A amended. These changes and omissions in the various articles were insignificant and in many instances more of form than substance. The only alteration which could be deemed significant was in Article 270-A. Clause (1) was altered

to provide that no new MLRs, MLOs or President's Orders would be made after the thirtieth day of September, 1985, except those which made provision for the revocation of the Proclamation of July 5, 1977, and a definition of the hitherto undefined term 'competent authority' was added.

Final compromise

In its final version this formula has been improved upon. Mercifully the fundamental right to form and join political parties has for the moment been left unscathed and Article 152-A has been amended to delete the clause which permitted an invitation to the armed forces to discuss the political situation in the country. The other changes are comparatively minor. The discretionary powers of the Governors and the President have been slightly trimmed, some protection has been provided to the National and Provincial Assemblies from arbitrary dissolution, powers of the Federal Shariat Court have been enhanced, and provision has been made for the election of the Prime Minister by the National Assembly in 1990 and that of the Chief Ministers in

1988. The demand for provincial autonomy by Mr. Abdul Hamid Jatoi and the need to restore the federal spirit and structure of the 1973 Constitution and to repeal the RCO, however, were conveniently ignored. These omissions and the approval of Article 270-A, which provides blanket protection to the acts, deeds and proceedings of the regime, further waters down the impact of even these few gains of the IPG. While it is not possible to specifically comment on the other changes as a text is yet to be released, one can discuss Article 270-A as the agreed version is not different from that contained in the Bill.

Statutes of indemnity are not a new phenomenon either in our own or Anglo-Saxon constitutional history. The withdrawal of Martial Law always gives rise to complex legal questions about the liability of the civil and military authorities for actions taken under its cover. But whenever the legal validity of such actions appears questionable all doubts are invariably set at rest by legalising past illegalities and altering the law retrospectively through the enactment of an Act of Indemnity. This is what happened in England after the First World War, the Second World War and the Irish disturbances and this is exactly what happened here in 1962, 1972 and 1973. As in the meantime no alternative had been discovered, the introduction of an indemnity Bill prior to the withdrawal of Martial Law was inevitable in 1985. Justice Minister Iqbal Ahmed Khan and a few MNAs of the OPG has, therefore, a point to make when they stated that the Constitution (Eighth Amendment) Bill 1985 is nothing new and that protection to laws and regulations was provided in the 1962 Constitution as well as in the 1972 Interim Constitution and then in the 1973 Constitution. But this is as far as the comparison goes. The earlier statutes were much more limited in nature and extent and it must be appreciated that the real criticism of the Bill stems

from the fact that it addresses issues of far wider range and greater importance than what are usually the subject matter of such legislation.

Under both the 1962 and 1973 Constitutions Martial Law came to an end the moment these constitutions came into force. Under the present constitutional scheme no specific date has been announced for the withdrawal of Martial Law. Even the Prime Minister's promise that December 31, 1985, will be the last day of Martial Law has not been made a part of the constitutional scheme and, therefore, will be impossible to enforce through constitutional channels if the promisor decides to go back on it. Martial Law, therefore, shall continue and the Constitution even in its present debilitated form remain in abeyance till the powers that be choose to withdraw one and enforce the other.

Article 225(3) of the 1962 Constitution repealed all Martial Law Regulations except those specified in a "Table" to that clause. Article 270(1) of the 1973 Constitution was directed towards saving only those enactments which were validated by Parliament. As distinct from this Article 270-A(1) seeks to save all Proclamations, President's Orders, MLRs, MLOs and all other laws. A list of these is yet to be published and the requirement of parliamentary validation is simply not there. The Justice Minister's failure to provide a list of all the measures for which he seeks protection evidences that even in the Ministry of Justice the full implications of carrying this draft legislation through are yet to be worked out. What is more, nine of the President's Orders including one directed against the family of the late Mr. Zulfikar Ali Bhutto are to be given constitutional status and cannot be amended save in the manner provided for the amendment of the Constitution. Even the Statement of Objects and Reasons fails to state the reason for this special status accorded to these particular orders and one is at a loss to appreciate the logic of requiring a two-thirds majority of the elected representa-

tives to repeal what has been enacted by the will of a single executive functionary.

Martial Law to continue

Article 270(3) of the 1973 Constitution provided protection from judicial scrutiny to enactments not validated by Parliament for only two years but no such cut-off date has been set by Article 270-A. On the contrary, all these shall continue to be effective even after the enforcement of the Constitution until altered, repealed or amended by the competent authority. The direct effect of this stipulation will be that MLRs and MLOs shall not recede from our public life and become things past. The entire exercise for the transfer of power to a civilian government and return to constitutionalism shall serve no purpose except that of an elaborate facade behind which the business of Martial Law will be conducted as usual.

Indemnity Bills protect only actions taken in good faith and indemnity does not extend to acts of bad faith. Though this has very little significance in practice, for it is extremely difficult to prove bad faith, and in our case it is even more so on account of the Supreme Court judgment that malafides must be specifically pleaded and proved, but the point is one of principle. Article 223-A of the 1962 Constitution and Article 270 of the 1973 Constitution recognised this but Article 270-A deviates from this important norm. All acts, actions and proceedings are deemed to have been taken in good faith, and this will protect even those marginal cases where it may just be possible to have the actions set aside by proving bad faith. The reasons for extending the constitutional umbrella to such patent cases of illegality remain shrouded in silence.

Hopes dashed

The draft Bill, as passed by the National Assembly, despite its many defects is unlikely to meet any opposition in the Senate – the perfor-

mance of the National Assembly is proof of that if any proof was needed. The opposition of the IPG and the heated discussions in the Assembly had caused many of us to believe that we were on our way to a civilian polity and the present body is much different in character from the earlier Majlis-i-Shoora. All such hopes have been dashed by the sudden and complete capitulation of the IPG. And yet this was to be expected. The present Parliament is a motley collection of individuals with disparate views and interests devoid of any unity or ideological lines or party discipline and lacking in the cohesion which comes from the experience of working together and mutual trust. The interest foremost in the mind of the present legislator is that of his person. Having been elected on account of his close association with the narrow interests of his area, the pull of 'bradari' and the power of money it could not have been otherwise.

Side changed

In the final analysis it is the IPG which has been able to serve this interest better by demanding a higher price for conformity. The opposition to the Bill gave the Parliament much needed credibility and, thus, hurt the democratic forces working outside it more than the regime had ever been able to. Once this object had been achieved and Haji Saifullah had secured for himself the coveted niche of the champion of democracy, the IPG overnight switched sides and we all woke up to find next morning that the opposition which we had begun to imagine was never there.

The regime can now take comfort in the fact that the death of the 1973 Constitution is no less unanimous than its birth and can safely project itself on the international plane as both democratic and stable. But this cannot conceal the fact that the present Parliament is not a product of national consensus on major issues. No such issues were ever debated during the election campaign. The ban on political parties ensured that. Every candidate was limited to his constituency

and the legislators, therefore, neither individually nor collectively had a national mandate to make basic and far reaching changes in the 1973 Constitution. The unanimity of the National Assembly cannot dispense with the need to right the wrongs of the past eight years of military rule and the restoration of judicial independence, federalism and provincial autonomy.

Old slogans only

For its part the MRD, too, can derive some satisfaction from the IPC surrender. "We told you so" is in any event a favourite ex post facto comment of its armchair leadership. The truth, however, is that even this simulated crisis exposed the inadequacy of the political leaders to live up to the changing demands of politics.

Throughout this period not a single statement was made which articulated the MRD's stance or evaluated the nature and impact of the Bill. One cannot help note that the greatest asset of the regime throughout has been a weak and ineffective opposition which has continued to bank on the slogans it overheard in the late sixties without noticing the great changes which have substantially changed the complexion of the elite as well as the masses. Its failure to strike a responsive chord in the people, thus, comes as no surprise. But it does increase the magnitude of our tragedy. With a military regime firmly in the saddle, a Parliament by and large willing to go along with its desires and an opposition which has lost touch with reality, how are we to expect a return to the 1973 Constitution and escape the spectres which haunt us today."

/9317

CSO: 4600/78

PAKISTAN

PARLIAMENT TERMED 'HOUSE OF THE HANDICAPPED'

Lahore VIEWPOINT in English 31 Oct 85 p 15

[Text]

AIR MARSHAL (Retd.) Nur Khan has demanded the revival of the 1973 Constitution in its original form with all the powers of the Prime Minister as the chief executive of the country.

Speaking at the 'Meet the Press' programme of the Karachi Press Club on October 26, the former Air Force chief urged Gen. Ziaul Haq to become Prime Minister if he desired to lead the nation as a political leader. In such a case, he said, he would support the move.

There was a move to lift Martial Law and restore the political structure but political parties remained banned, Nur Khan said.

He described Parliament as "a house of handicapped individuals" lacking initiative because it was elected on a non-party basis.

He was of the view that the basic character of the 1973 Constitution had been changed following the recent amendment and it was neither parliamentary nor presidential.

All the Constitutions of 1956, 1962 and 1973 were unanimously passed as the then rulers desired and, similarly, the Constitution (Eighth Amendment) Bill was also passed by the National Assembly as desired by the President, he remarked.

He said a process had been initiated to lift Martial Law, but there was no move to restore fundamental rights, the power of the judiciary and other national institutions.

Mr. Nur Khan said there could be chaos with the sudden lifting of Martial Law, for which the present Parliament or the Prime Minister could be blamed and, thus, it also could pave the way for another Martial Law in the country.

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CSO: 4600/78

PAKISTAN

WALI KHAN QUESTIONS VALIDITY OF ASSEMBLY, AMENDMENTS

Lahore VIEWPOINT in English 31 Oct 85 p 15

[Text]

THE (defunct) National Democratic Party (NDP) chief, Khan Abdul Wali Khan, has rejected "the constitutional amendments by the unconstitutionally formed National Assembly," and declared that laws framed and measures adopted by the present assemblies could in no case be accepted as valid until elections

were held under the provisions of the 1973 Constitution.

Talking to newsmen after his return from London, Mr. Wali Khan said that the present assemblies had no right to amend the Constitution.

Asked how long the current uncertain situation would last Mr. Wali Khan said "If the sanctity of the Constitution is not preserved events would naturally lead to negative results because of the ban on political parties."

He feared that such a situation would ultimately lead to events which had engulfed Afghanistan. The leaders of such a revolution would "not be Wali Khan, Asghar Khan and Nawabzada Nasrullah Khan. They would be different elements who could be called a product of repression and political suppression."

Referring to the ban on the inter-provincial travel of politicians, Mr. Wali Khan said that it was steadily leading to provincialised politics, dangerous to the concept of nationhood.

Referring again to the Eighth Amendment, he said "it could not be decided so far whether the country belongs to 80 million people or to one individual about whom it is said he does not recognise the country's Constitution as a sacred document."

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CSO: 4600/78

PAKISTAN

RESTRICTIONS ON USE OF PUNJABI IN PUNJAB ASSEMBLY CRITICIZED

Lahore VIEWPOINT in English 31 Oct 85 p 8

[Text] The queer complex about Urdu that afflicts many semi-literature Punjabis flared up in a recent Punjab Assembly debate. It finds reflection in the Speaker's ruling that he would allow Members to speak in their mother tongue at his discretion, not as an acknowledged right--and certainly not as what the world over is considered to be a birthright.

The basis of this strange ruling is the Rule that a Member of the of the Punjab Assembly may express himself in Punjabi only if he is not sufficiently well-equipped to speak in Urdu or, presumably, English. (The restriction applies only to Assembly proceedings, otherwise, many Members would find self-expression heavy going). And there were some Members, either those associated with the Government or wanting to acquire this qualification, who actually argued in favour of this stupid Rule. They do not seem to realize that Punjabi is not a dead language like Welsh or Scottish Gaelic. Like it or not, it happens to be the language best known to the vast majority of Pakistan's population. Nor is the language confined to the Punjab region; it is also spoken in large parts of the NWFP and Azad Kashmir.

Futile and Wrong

Any attempt to suppress Punjabi, specially in the Punjab, is, therefore, wrong and can only have the undesirable consequence of retarding education of the Punjabi-speaking sections of our people. Undeniably, Punjabi remains a rich language; not only has it a heritage which surpasses in quality that of many other sub-continental languages that are given due recognition; but also despite a century of propaganda against its daily use, Punjabi remains the spoken language of the people. For anyone to advocate that the language should be forsaken and forgotten is, whatever the motivations, both silly and futile. The only result of the attempt will be that those who deny their Punjabi roots will cut themselves off from the people, whatever gains they may make as a cosmopolitan group of individuals willing to surrender all loyalty to the soil that has nurtured them.

Support for Punjabi does not mean, of course, that Urdu should be neglected or denied its status of the country's lingua franca and national language number one. Instead of engaging in propaganda against other languages,

lovers of Urdu would do greater good if they would devote part of their energies to developing Urdu, ensuring that textbooks in various subjects are available before examination papers are set in the language, and in many other ways making sure that Urdu is given its proper place in all fields where its utility is acknowledged or sought. This does not mean that it has to be the only language of education in the Punjab, as was decreed by the country's foreign rulers and has been demanded by people whose policy of linguistic hegemony has led to language riots at least twice in Pakistan's history and has had other unhappy results.

Urdu's Position

These learned gentlemen must realize that Urdu proper is the mother tongue of only a small percentage of Pakistan's (former) refugee population--families that have come from the Trans-Jumna region. The language spoken by migrants from eastern East Punjab can only be listed as Urdu by generous courtesy. In fact, giving Urdu its proper place in our set-up would help to improve respect for the language, instead of its being mangled and murdered every day in the attempt to have it replace Punjabi as the spoken language. This effort is anyhow limited to a very small number of Punjabis, mostly bureaucrats; it can never succeed. In fact, the more sensible among the refugee families have allowed their children to speak and learn Punjabi so that language does not become a barrier to their integration with the people among whom they have chosen to live. Nor can any sane Punjabi forget his heritage or agree that it should be allocated to neighbouring India's Punjab.

For these and a whole lot of other reasons, the Punjabi elite and the bureaucracy must give up their foolish approach to the language question. Punjabi must be given its rightful place in the Punjab and other areas where it is spoken. Not only should there be no ban on its use in councils or legislatures, but an immediate beginning should be made for its rehabilitation by using it as the medium of instruction, starting with primary schools and for the purpose of the adult education campaign which despite much noise has not yet taken off--and the language obstacle may well be one reason why it has been less successful in the Punjab than elsewhere.

It is essential that all Punjabis, and not just a few intellectuals who have begun to write in their own language, should give serious thought to the issue, and build up public opinion in favour of ending a deprivation that has no reasonable grounds in a country which is supposed to be free and a province that is said to be autonomous.

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CSO: 4600/78

PAKISTAN

NEGATIVE IMPLICATIONS OF POLITICAL PARTIES ACT DISCUSSED

Lahore VIEWPOINT in English 31 Oct 85 p 18

[Article by Ayaz Amir]

[Text]

THE YET UNSEEN but much heard of Political Parties Bill is likely to come up before the National Assembly when it reconvenes on November 4. Since it will be seeking to lay down fresh ground rules for the formation of political parties and their area of activity, it will have an important bearing on coming political developments. Indeed it is a measure of its importance that various official mouthpieces have been describing it as crucial for the lifting of Martial Law.

It would, however, be an exercise in unnecessary optimism to expect that the regime would allow political parties to revive and function in an open manner. That would go against the grain of the present system and its obsession with stability and order. The regime's preference for a controlled system is no secret nor is there any disguise about Gen. Ziaul Haq's loathing for political parties in general. But the problem is to discover what precisely the Government has in mind. To be forewarned is not always to be forearmed. Still, there is no point in being taken completely unawares.

The 1962 Act

We know that the working basis of the new law will be the Political Parties Act, 1962. We also know that some decisive amendments are being contemplated in line with those made in 1979 which required all political parties to seek registration with the Election Commission. In the run-up to the 1979 elections, a few favoured parties like the Jamaat-i-Islami and the Tehrik-i-Istiqlal applied for registration and got it. The PPP did not apply but it submitted its accounts to the Election Commission (as the new law required) on the grounds that this requirement was consistent with the original Political Parties Act. All the same, it was debarred from the coming polls which Gen. Ziaul Haq cancelled altogether on October 16, 1979. At the same time, all political activity was outlawed and all political parties were banned. That is where the legal position rests till today.

IN the last session of the National Assembly, a 29-member committee was set up to prescribe fresh ground rules for the political parties. The

very fact that this was thought necessary implied the desire to place some controls on the growth or revival of political parties. Had this not been the intention, the simple thing would have been to revive the 1962 Act. The National Assembly and the Martial Law Government were thus seen to share the same outlook.

Key passage

The key passage in the report of the 29-member N.A. committee suggests that "no political party should be formed with the object of propagating any opinion or acting in any manner prejudicial to Islamic ideology, sovereignty, integrity, security of Pakistan, morality or the maintenance of public order." The catch is not in the formulation itself but in the fact that the Election Commission, whose members are appointed by the President, would be both judge and executioner. There is accordingly no guarantee that the law would not be used in a discriminatory manner.

However, the threat of discrimination is the least of the dangers in the proposed law whose implications are possibly more far-reaching. As long as the proclamation of October 16, 1979, remains in force, all political parties will remain banned. That being the case, none of them will be able to apply for registration let alone qualify for it. If this interpretation is correct, it means that the PPP, the Tehrik, the Jamaat, the Pagara League, nay every party with a name and a leader, will stand debarred from the race. Their incarnations might apply for registration but under new names. And there would be a gap, as looks likely, between the time of application and the grant of registration. (The N.A. re-

port suggests a year but it could even be longer.) IF, in this interim period, the Government does not like an emerging political grouping (on the grounds, say, that it resembles the PPP) it will have enough time to think of an appropriate response.

No new banning order would thus be required. No charge of discrimination. Like its counterpart in Turkey, which perhaps is the working model for this experiment, the regime would begin with a clean slate. Whether there is a ruling party and an opposition group to mirror the simulated division of the National Assembly into an OPG and an IPG are matters of detail. That it will be easier for some parties to re-emerge in new colours is also a separate issue. The principal thing is that entirely new parties will be born which indeed is the inescapable logic of the RCO, the Eighth Amendment and the imminent Political Parties Act.

MRD's dilemma

IN a sense it makes it easier for the MRD to come to a decision as it saves it the anguish of debating the pros and cons of registration. But it also underscores the dilemma the alliance faces. Playing the game according to the rules means compromising its principled position.

Staying out means staying out in the cold for as long as the present dispensation lasts. For eight-and-a-half years the democratic forces have worked on the comforting premise that the present state of affairs was bound to end sooner rather than later, but as Gen. Ziaul Haq prepares to put his kid gloves on, even they might admit that this state of affairs is going to be around for quite some time.

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CSO: 4600/79

PAKISTAN

KALABAGH DAM DEBATE REVIEWED

Lahore VIEWPOINT in English 31 Oct 85 pp 20, 21

[Article by Mahmood Zaman]

[Text]

EXPERTS and politicians are pitched against each other on the proposed Kalabagh Dam these days. Even the U.S. Ambassador in Pakistan, Mr. Deane Hinton, has publicly criticised the construction of the dam.

Speaking at a function at the Lahore Chamber of Commerce and Industries recently, he opposed the construction of the multipurpose dam because Pakistan was not able to finance the project through its own resources. He said: "Where will the domestic savings come from to finance the Kalabagh project? Education, health, transport, water supply and water sewerage are as important as energy and what will happen to them all after huge allocations have been made for Kalabagh?"

NDP criticism

It was the NWFP branch of the (defunct) National Democratic Party which started the controversy by saying that the proposed dam would ruin the lands of the province and uproot people from their ancestral homes. This was followed by Bacha Khan's campaign; despite his old age and ailments, he toured many parts of the province likely to be affected by the dam, warning the people against "grave repercussions" if the plan was implemented.

The Governor and the Chief Minister of the province and many Ministers and other leaders of public opinion joined the debate. The Central Executive Committee of the (defunct) Pakistan People's Party also, somewhat unexpectedly, opposed the plan. At its Quetta meeting early this month, it passed a resolution warning of "irreparable damage" if the Government went ahead with the plan.

Affected land

The resolution said that the dam would destroy lands on both banks of the Indus, particularly in the NWFP. The menace of waterlogging in the valleys of Peshawar and Mardan would increase to unmanageable proportions as the water table was bound to rise because the dam's reservoirs would extend to 97 miles up the Indus, 25 miles upstream of River Kabul and 36 miles up the Soan. The resolution said that nearly 101 villages and towns of the province would either be submerged by the reservoir together with parts of Attock and Mianwali. The Railway-cum-road bridge on the Indus at Khushhal Garh (Kohat-Pindi Road) would also be submerged. The G.T. Road and the Railway track between Attock and Peshawar would have to be raised. Several other installations

between the two cities, like Sui Northern Gas pipeline, telegraph and telephone cables and oil and gas fields would be destroyed.

The PPP resolution said that since the problem of water distribution among provinces was awaiting decision, the construction of the dam would adversely affect the availability of irrigation water to the southern regions, particularly Baluchistan and Sind. "Hence the entire concept seems callous, particularly when better sites are available." The PPP rejected the official explanation that there would be serious delay if the present site was abandoned and shifted upstream. The (defunct) Jamiat Ulama-i-Islam also opposed the project in its recent Shoora meeting at Lahore.

When asked about the controversy, a WAPDA official remarked that the opposition to the dam seemed to be foreign inspired. "They are toeing the line given to them by a friendly Power", he said and mentioned the Soviet offer of turbines for the dam. Opposition from the other super-Power was understandable because it would have to honour its commitment to provide funds for the project.

Punjab not protesting

The official argued that the Punjab was not agitating although this province would be affected the most. He said that the areas to be submerged would be 159,712 acres, 63 per cent of which would be in the Punjab. Of this area, however, culturable land was only 6,649 acres irrigated by the Sailaba canal. This represented only 4.16 per cent of the total land. About 71 per cent of the affected land was unculturable and 38,989 acres or 24.4 per cent was 'barani' (rain-fed). The estimates were made on the basis of flood frequency of one in five years.

Similarly 68,664 persons would have to leave their homes. Of them 55 per cent live in the Punjab. The population to be affected in the NWFP would be 30,589. He said that over 96,000 people were displaced by Tarbela Dam, and 81,000 by the Mangla Dam. Populations displaced

by Tarbela and Mangla were readily accepted by the Punjab. This time, too, the main burden was likely to be borne by the Punjab. Area-wise, 6,082 people will be displaced in Kohat, 560 in Nowshera, 3,666 in Mardan, 527 in Isa Khel, 1,073 in Mianwali, 19,290 in Talagang, 15,730 in Pindi Gheb and 2,055 in Attock.

Rehabilitation

In a recent interview, the WAPDA Chairman said that the affected villages would be removed to a higher level where all the civic amenities would be provided by the Federal Government. According to him, 95 villages would be raised anew for rehabilitation of the displaced population. Of them 50 will be in the Punjab and the rest in the NWFP. Eighteen of the existing villages would be protected by raising dykes and bunds of moderate height of 25 feet including a free board of 5 feet. The population thus protected will not be evacuated. The total rehabilitation cost is estimated at between Rs. 5,000 and Rs. 6,000 million.

As for the demand by political parties that the dam site be shifted to Bhasha further upstream, the official said that "WAPDA is for Bhasha and it is definitely to follow Kalabagh". But at least a decade was required to carry out its geological surveys alone. Even if work started now, Bhasha Dam would not be able to generate power before 1998. "Should we continue loadshedding for an indefinite period, or must we avail of the first available opportunity?" he questioned.

According to an official document, the Kalabagh Dam has a history of some 32 years of sustained investigation. The first feasibility study of the project was done in 1953 which suggested a retention level of 925 feet of the dam. It was followed by studies in 1960, 1967, 1972, 1975 and then between 1982 and 1984. All the studies recommended the same retention level. These surveys were conducted by the U.S., French, British and Swiss companies.

Dam objectives

The objectives of the project are: (1) to generate large amount of low-cost hydel power; (2) to replace the live storage capacities of Mangla and Tarbela reservoirs which are being gradually depleted due to sedimentation (with the provision for sediment sluicing the Kalabagh Dam will have an indefinite life); (3) to provide additional storage on the Indus and, thus, make more water available for crops. Kalabagh will essentially supplement the existing irrigation water supplies in the system through canals, particularly the Haveli, Sidhna, Pakpattan, Mailsi, Bahawal canals, Abbasi and Punjnad canals in the Punjab; Ghotki, Khairpur East and West canals in Sind, and some areas falling under the Chashma right bank irrigation project which will come under irrigation before the dam is completed. It is estimated that 15 percent of the Indus water had been arrested at Tarbela reservoirs and Kalabagh would increase the ratio by another eight to 10 per cent; (4) to regulate and control the flood peaks of the Indus to minimise flood hazards downstream; (5) to extend irrigation facilities to new areas; and (6) to increase the country's capacity to manage its water distribution and power generation system through conjunctive use of the Tarbela and Kalabagh reservoirs.

Irrigation details

Giving irrigation details, the document says that the fear that Sind will be deprived of its legitimate share is groundless. Similarly, some parts of Baluchistan can also be irrigated through Sind. The Indus water will be distributed among the provinces more judiciously after the commissioning of the Kalabagh Dam. About 79 million acres of land will be irrigated after the project is completed.

The site for the dam is 193 k.m. downstream of Tarbela Dam at the confluence of River Soan and its reservoir is estimated to command an area of 110,560 square miles,

with a gross capacity of 9,375 million acre feet of water and live storage capacity of 7,771 maf. This will be the second largest water reservoir in the country. The height of the dam above river level bed is 265 feet with the main dam 4,150-feet long and the auxiliary dam 4,900-feet long. The spill-way-cum-diversion structure is 884 feet in length with a discharge capacity of 1,300,000 cusecs with auxiliary spillway adding another 100,000 cusecs. Eight power generators with a capacity of 300 megawatt each will be installed in the beginning. The initial production of electricity would be 2,400 mw in December, 1993. After another seven years, the total generation capacity will reach 3,600 megawatt.

The estimated cost at current prices is Rs. 44,263 million including a foreign exchange component of 1367 million dollars. When the estimate was prepared in 1980, the cost was calculated at Rs. 2400 million. The World Bank and the UNDP will provide the foreign exchange component under a tripartite agreement signed in April 1981.

Shortfall beyond 1993

Even if Kalabagh Dam is commissioned in 1993 the country is expected to face a shortfall of over 1,000 megawatts of electricity. WAPDA has a comprehensive long-term plan to start setting up some thermal power stations but a plant of Kalabagh size will involve a cost of Rs. 40 billion to begin with, and a recurring expenditure of Rs. 10 billion every year for the import of oil and coal. Furthermore, thermal power is twice as costly as hydel.

In fact, WAPDA had a plan for a nuclear power plant at Chashma with a capacity of 3,600 megawatt. The Chashma power plant has been delayed owing to international pressures, particularly by the United States. WAPDA invited tenders on many occasions in the past but no bidder came forward. The first invitation was extended in December 1982 and the date was later extended for another year. But the result was not positive the second time as well.

Another effort this year is understood to have succeeded with two tenders coming during the past couple of months. The authorities are keeping the names of the bidders secret as they fear that foreign pressure may force them to back out. Planners think that CHASHINUPP, as the project is known, will involve an initial expenditure thrice as much as a thermal plant of the same size would require. But its cost of generating power would be one-fifth that of coal-fired plants. As such, the nuclear power plant is feasible, experts think, and much more economic in the long run.

Since thermal power generation is costly and the Chashma plant seems to have been delayed indefinitely, experts attach high importance to the multipurpose Kalabagh Dam, particularly in terms of power generation. They think that Tarbela and Mangla Dams are primarily irrigation dams and power generation is only "a fringe benefit". According to them, loadshedding is hitting both the industrial and agricultural sectors badly. Industry and trade have suffered a huge loss of about Rs. 9 billion because of loadshedding in the last two years.

Under these circumstances, the Kalabagh Dam perhaps becomes unavoidable. The country's total installed capacity is about 4,000

megawatt at present. With the coming up of the third phase (fourth unit) and the combined cycle steam system at the Guddu Thermal Power Station, another 600 megawatt is expected to be added to the system by January next. But with a growth rate of 11 per cent per annum, power requirements are likely to rise to 10,000 mw by 1994. Therefore, WAPDA is left with no other choice than to go in for the Kalabagh Dam.

A WAPDA spokesman denied that the Kalabagh Dam would have a negative impact on the Mardan SCARP. According to him, Kalabagh reservoirs would be 925 feet above sea level, while that of Swabi and Pabbi ranged around 1,000 feet. "How can water run upstream?" he asked. In fact, he said, three big drains from the Mardan SCARP area would flow into the Kalabagh reservoirs. As for Indus water for Sind, a diversion tunnel has been planned and will be constructed to pass on the water in the Indus course as a part of the project. "How can we stop the mighty Indus from flowing on its natural course?" he asked, adding that all fears that with the construction of Kalabagh Dam lands in Sind will turn into deserts were baseless. In fact, Sind will get more water after the completion of the dam.

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PAKISTAN

MINISTER SAYS ZIA MAY CONTINUE AS ARMY CHIEF

Karachi DAWN in English 2 Nov 85 pp 1, 14

[Text]

LAHORE, Nov 1: President Gen. Mohammad Zia-ul-Haq may continue to hold the office of the Chief of Army Staff even after Martial Law is lifted as he has been exempted, through a constitutional amendment, from the condition that the President would not hold any office of profit during his tenure as Head of State.

The Federal Minister for Justice and Parliamentary Affairs, Mr. Iqbal Ahmed Khan, told a news conference here on Friday that President Zia-ul-Haq was Chief Martial Law Administrator also and, as such, in order to maintain continuity of the office, it was deemed necessary to absolve him, in particular, from the constitutional disqualification. Nevertheless, it was still premature to say what he would do after the Martial Law was lifted, the Minister maintained.

When asked as to why the Eighth Amendment Bill, adopted by the National Assembly as well as the Senate, relaxed the period of appointment of the Prime Minister and the Chief Ministers by the respective legislatures till 1990 and 1988, respectively, the Minister said that since the present National Assembly came into being as a result of non-party polls, selection of a member, who enjoyed the confidence of the House for nomination as Prime Minister, was quite difficult. Thus it was provided that the President be authorised to exercise the power of appointing a Prime Minister till 1990, when, it was assumed, the National Assembly would complete its five-year term.

As for provincial legislatures the period of relaxation was reduced from 1990 to 1988 on the demand of the representatives of the smaller

provinces, he added. According to him the balance of powers between the President and the Prime Minister had been struck in the light of the 1956 Constitution and, as such, the amended Constitution of 1973 was now the Constitution of 1956.

Mr. Iqbal Ahmad Khan, however, said that after enforcement of Political Parties Act, the future election, in all probability, would be held on the basis of political parties. The situation then would solve the problem in regard to appointment of the Prime Minister and the Chief Ministers as they would be from the majority party. He said that the President would continue to appoint a Prime Minister who would seek a vote of confidence in the following 60 days, till 1990.

PRESIDENT'S POWERS: As for the powers of the President the Minister said that only discretionary powers were given to him. They included the power to dissolve the National Assembly and holding of next elections within 90 days, holding of referendums, appointments of the Chief Election Commissioner, Services chiefs, and the Chairman of the Federal Public Service Commission. He said that such powers were necessary as they brought about the much needed authority the absence of which in the 1973 Constitution culminated in the imposition of Martial Law.

The Justice Minister repudiated a charge that agreed amendments were changed later. He said that the draft of constitutional amendments agreed upon between the Official and the Independent parliamentary groups as a result of consensus was sent to both the groups and "implemented in letter

and spirit".

As for the provision regarding Shariat being the supreme law of the country he said it was being substituted "in order to avoid 'ambiguity' that the Quran and Sunnah will be the supreme law of the country and the chief source for legislation and policy-making."

As for the provision that the Prime Minister would be a Muslim, he was of the opinion that addition of the word "Muslim" was not necessary as the Constitution itself provided similar guarantee. However, the word was added at the instance of MNAs.

Mr Iqbal Ahmad Khan said that the bills for Political Parties Act and the 9th Constitutional Amendment would be moved in the National Assembly in its session starting from Nov 4, and the ongoing session of the Senate, respectively. He said, that the 10th Amendment would also be moved in about six months' time. The amendment would be based on the recommendations of the committee whose constitution was announced by the Prime Minister in the Senate Thursday.

According to him the committee would deal with the three major questions of suggesting methodology of extending the scope of Shariat courts, matters relating to provincial autonomy, and the process of redressal of excesses committed with certain persons under Martial Law. He said that he would also like to request the Senate committee to study the Constitution in depth and suggest ways and means

to make it more balanced to fulfil the national requirements.

Replying to a question, the Minister said, the claim that Martial Law could never be enforced in future was based on the "rational" balance of powers between the President and the Prime Minister. Martial Law was imposed in July, 1977, because the President had no discretionary powers. "However, one could not stop Martial Law despite Article 6 which is very much a part of the 1973 Constitution and, as such, nothing can be said of the future," he added.

Answering another question, the Minister said, there was no reason as to why the Prime Minister's pledge about lifting of Martial Law by December 31 be seen with scepticism. "The Premier has presented himself as the guarantor for ending the military rule".

He has also said that if the situation is otherwise even after January 1, 1985, he will resign together with his colleagues," he maintained.

On the question as to whether the amendment bill would be described as having been adopted unanimously even after the group led by Mr Abdul Dameed Jatoi was absent from the National Assembly on the day of the passing of the Amendment Bill, he said that as per constitutional provision the House comprised the members present on a particular occasion. Moreover, the absent group had also not recorded a protest at a later stage. As for Mr Jatoi he had already said that he could not attend owing to his illness, he maintained.

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PAKISTAN

MORE KILLINGS BY 'HAMMER GROUP' REPORTED

Karachi DAWN in English 2 Nov 85 pp 1, 2

[Text] HYDERABAD, Nov 1: Five persons, including a couple and minor children, were brutally murdered and another five critically wounded in Panhwar Mohalla near Noorani Masjid by some unknown person early on Friday morning.

The deceased were Peru (40), a carpenter, his wife Inayat Bibi (40), and his son Ghulam Fareed (10) Ms Saeeda (35) and a year-old Mehrun Nisa. Those injured are Koki (30), Maid-servant of Saeeda, Ghulam Hyder (5), Ghulam Qadir (3), Ghulam Mustafa (1), and Baby (4).

The dead and the injured belonged to two neighbour families.

The gruesome tragedy came to light when the sole survivor Ghulam Dastagir (11), son of Peru, woke up in the morning to find his mother, brothers and sister lying in pools of blood in the house. When he came in the courtyard, he found his father Peru lying dead.

The panic-stricken boy came out of the house screaming which attracted the neighbours' attention.

Some people later discovered the same tragic scene repeated in the adjacent house where Saeeda and infant Mehrun Nisa were lying dead. They found Koki wounded seriously.

The area councillor informed police which immediately arrived at the spot and rushed the wounded to LMC Hospital where the condition of all the five injured was said to be precarious. The injured had received head injuries and were lying in the hospital unconscious.

Hospital authorities said the dead and the wounded had sustained injuries with a blunt weapon or a hammer.

As the news of the tragedy spread people from different parts of the city rushed to the scene of the tragedy.

MVA Maulana Syed Wasi Mazher Nadvi, DIG Police, Hyderabad range Mr Abdul Aziz Jaffer, D.C. Shafiqur Rehman Pracha, HMC councillors, SP Hyderabad, and several others also visited the scene of the tragedy.

PRESS NOTE: The District Magistrate, Hyderabad, has issued the following Press note (APP reports):

"Today, at about 8.45 a.m. information was received at the SITE Police Station that some members son of Peru 6 years, (3) Bibi Basra, daughter of Peru, 4 years, (4) Ghulam Hyder, son of Peru 1½ years, (5) Mst Bibi 53 years.

"The local administration has appealed to the general public to extend its full cooperation during the investigation to haul up the culprits."

JPMC: At the JPMC the injured were identified as Basran, a young girl, Ghulam Haider, a boy, and a woman alias Bibi.

A correspondent adds.

Bibi was operated upon for head injuries. Her condition is also stated to be serious, alongwith the other two.

Basran was accompanied by one Abdur Rashid from Hyderabad, who claims to be her uncle.

GOVERNOR'S CONDOLENCE: Sind Governor Lt-Gen Jahan Dad Khan has condoled the death of the five persons. (A handout says).

In a condolence message, he said he was deeply grieved and prayed to Almighty Allah to rest the departed souls in peace and give

of the families living in two quarters situated in an isolated corner of Makhranipara are lying dead and some others badly injured.

"The police immediately rushed to the scene and found that in one quarter three members of the family of one Peru Unar, including himself, were lying dead and his four children were badly injured. In the adjacent quarter where a woman, named Saeedan, used to live was also found dead, along with her young daughter, and old maidservant of the house was also found badly injured.

"However, her two other young kids remained unhurt.

"All the deceased persons and those injured had received head injuries because of the impact of some hard blunt weapon.

"All the five injured persons were immediately rushed to the hospital where those three who had received serious head injuries were later on shifted to Jinnah Post-graduate Medical Centre (JPMC) Karachi. The injured are still unconscious.

"The police are investigating into the case and all possible angles regarding the cause of the incident are being probed.

"The names of dead persons are:

"1. Peru Unar, 35 years, (2) Inayat Bibi wife of Peru, 32 years, (3) Ghulam Farid, son of Peru Unar 10 years, (4) Mst. Saeedan, 35 years, (5) Baby Mehrunnisa 2½ years.

"The names of those injured are:

"1. Ghulam Quader, son of Peru Unar, 8 years, (2) Ghulam Sarwar, fortitude to the bereaved families to bear this irreparable loss.

He expressed deep sympathies with those who have been injured in the same incident.

The Governor has directed the medical authorities to look after the injured and extend them full medical aid with special attention, including treatment by specialists.

He has ordered the IGP, Sind, to mobilise all resources at its command to round up the culprits. He has given an assurance that all necessary measures would be taken to catch the murderers.

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PAKISTAN

WORLD BANK WAIVES CONDITION FOR APPROVAL OF PROJECTS

Karachi DAWN in English 2 Nov 85 p 3

[Text]

LAHORE, Nov 1: The World Bank has decided to allow Pakistan not to refer industrial projects funded by it for approval by the experts in Washington or to the Resident USAID Mission in Islamabad.

According to Pakistan Banking Council sources here, the decision was taken last week after detailed discussions between a World Bank fact-finding mission and Pakistani officials.

The decision will also apply to financial institution and commercial banks in Pakistan. Feasibility reports will also not be required to be referred to the Industrial Development Bank of Pakistan and, as such, all banks will be able to take decisions in anticipation of a circular being issued shortly.

However, eligibility criteria will continue to be applied to all applications for credit by the banks in terms of categories of loans, sectoral allocations and financial position of suppliers of machinery, if it involves big money.

All cases for industrial credit in the small sector, previously sent to the USAID in Washington will not be required to do so now. World Bank Mission has been informed that in certain cases Pakistan cannot meet the requirements of regional priorities, such as, those for rural or backward areas, where infrastructural facilities, including electricity, gas, roads and water supply lines are extremely inadequate. A top-level decision in this regard is expected some time in November.

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PAKISTAN

PROJECTED DECENTRALIZATION OF BANKS TO TAKE 3 MORE YEARS

Karachi DAWN in English 2 Nov 85 p 3

[Text]

LAHORE, Nov 1: At least another three years will be required for the decentralisation of the banking system in Pakistan.

According to official sources, despite best efforts, on the part of the Government only 10 per cent of the total managerial staff of the nationalised commercial banks in the rural areas and small cities, has so far, been trained for on-the-spot decisions on financial matters.

A report, by an experts committee, has admitted the large scale decentralisation of the entire banking system cannot be introduced, as it will create serious problems for financial management on the national level, because staff in 90 per cent of the bank branches in the country are run by managers, who do not have sufficient experience and qualifications.

According to latest information,

it has now been decided to decentralise the banking system under a phased programme. Priority will be given to circle offices in big cities, following which zonal offices, vice-presidents serving as managers in big branches and managers working in towns and villages will be given power of credit disbursement on their own, or to process applications and make decisions on day-to-day financial issues concerning their clients. However, for the next three years, at least, all credit cases, particularly from the rural areas, will continue to be referred to the head offices of the nationalised banks.

However, the Federal Government has been requested to consider sanction of project by a commercial bank, as sanctioned by the Government, to expedite credit approval and disbursement.

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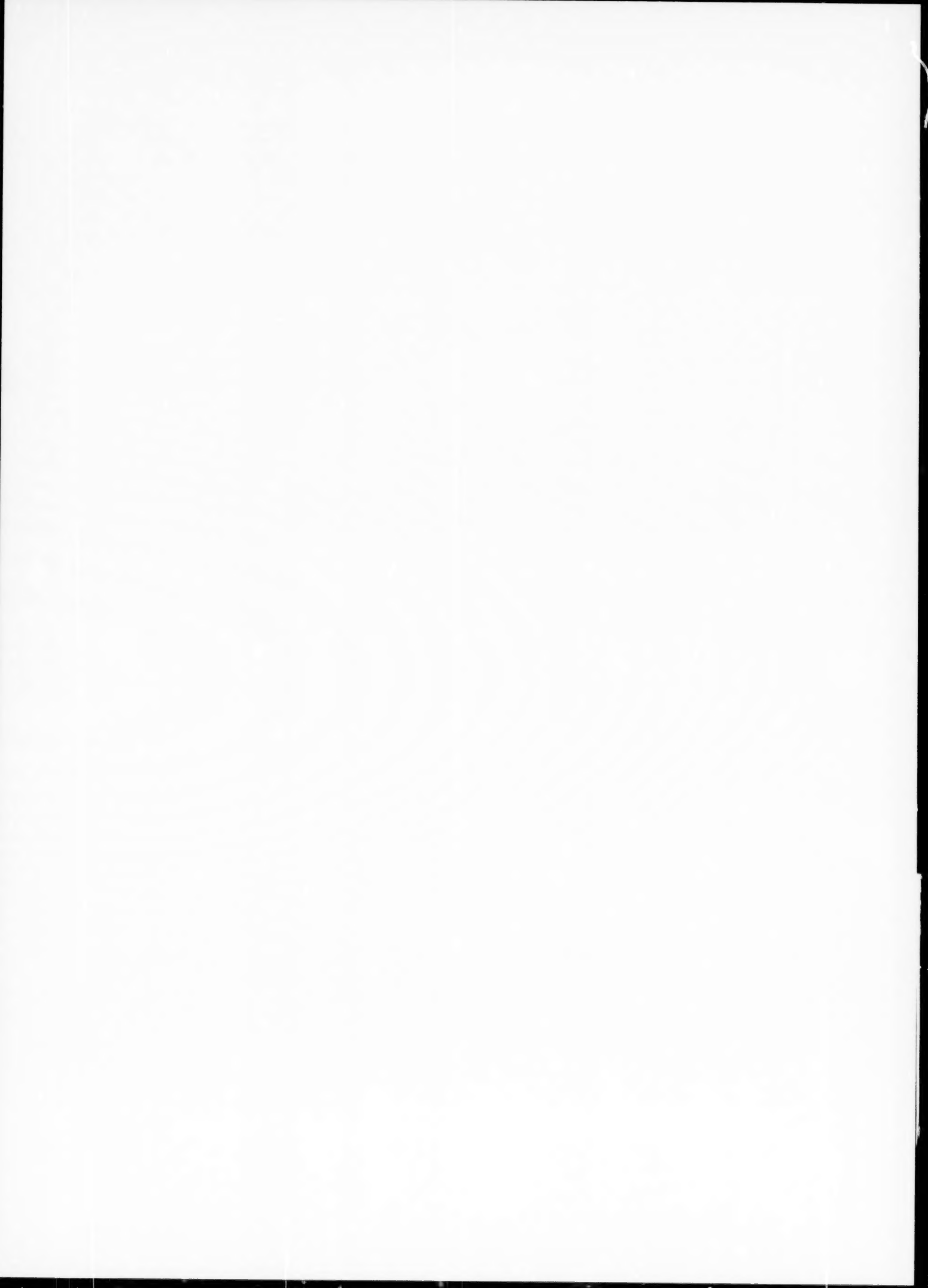
PAKISTAN

BRIEFS

TRADE UNIONS OBSERVE 'BLACK DAY'--Lahore, Oct 28--A number of trade unions affiliated to the All Pakistan Trade Unions Federation today observed 'Black Day' in Gulberg industrial area to protest against denationalisation policy, large-scale dismissals of the workers and flagrant violations of labour laws by the employers. Demand was also voiced for the lifting of Martial Law. The workers wore black bands on their arms and hoisted black flags on the factory. Protest demonstrations were also held at various industries and the biggest was outside the Capital Industries. Gulzar Chaudhary, Secretary General of the Federation and other leaders while addressing the gathering threatened to resort to extreme steps in case the demands of workers are not met by Nov 14. [Text] [Islamabad THE MUSLIM in English 29 Oct 85 p 6] 9317

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